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WORLD NEWS

TGWU calls in police over ballot rigging

Police were called in by Ron Todd, general secretary of the Transport and General Workers Union, to investigate an attempt to rig elections for the union's 39-strong national executive, using about 9,000 stolen ballot papers.

The inquiry, to be carried out by the Serious Crimes Squad of Scotland Yard, began as the second ballot of the union's 1.3m members for the executive was completed. The ballot result will be announced on Monday. Page 22

Armed gang raids train

Shotgun raiders, believed to be members of the IRA or an allied paramilitary group, held up a mail train at Gormanstown, near Dublin. The 15-strong gang made off with up to 80 mail bags. Page 5

Australians vote

Some 10m Australians will vote today on whether to elect 60-year-old Prime Minister Bob Hawke to a fourth successive term for Labor, a record for the party as well as a Labor leader, at a time when the economy is faltering. Page 22

Peasants laid off

A report from China's Agriculture Minister, He Kang, said 3.5m peasants had been laid off and would join the 100m under-employed and jobless now wandering the countryside. There are already an estimated 6m unemployed in urban areas. Page 3

Indian troops depart

The India Peace-Keeping Force will complete its withdrawal from Sri Lanka this weekend when the last 1,500 remaining troops depart. Page 3

Charity to be wound up

Troubled Third World charity War on Want is to recommend closure to members and creditors. It is faced with repaying a £650,000 bank overdraft.

New post for Fowler

Former Employment Secretary Sir Norman Fowler joined the board of security company Group 4 Securitas. Sir Norman, MP for Sutton Coldfield, West Midlands, quit the Cabinet in January.

Tory MP to retire

Sir William Clark, 73, Tory MP for Croydon South and chairman of the Tory backbench finance committee since 1979, said he would not contest the next general election to make way for a younger person.

US AIDS cases rise

The number of AIDS cases in the US rose by 9 per cent in 1989 or just over 3,000, the World Health Organisation said. State and territorial health departments reported 35,238 cases during 1989 against 32,196 in 1988.

Back behind bars

Runaway burglar Tony Litton, who walked out of Cardiff prison allegedly wearing his visiting identical twin brother's clothes, was caught in Penrhys, Rhondda, Mid Glamorgan. His brother Terry Litton has been charged with helping him to escape.

Argentine police rebel

About 1,000 Argentine policemen who had taken over their headquarters in the city of Tucuman to demand higher pay and the reinstatement of colleagues gave up on Friday without winning concessions.

West Indies struggle

The West Indies struggled to 139 for 8 at tea against England on the first day of the third Cable & Wireless test in Port of Spain, Trinidad. England captain Graham Gooch won the toss and made the West Indies bat.

Clocks go forward

British Summer Time begins at 1am Greenwich Mean Time tomorrow, when clocks should be put forward one hour to 2am.

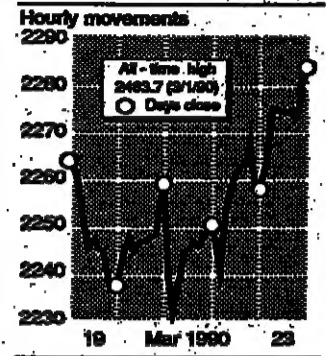
BUSINESS SUMMARY

Electricity chairmen to double pay

The chairmen of the 12 electricity distribution companies of England and Wales are expected to have their salaries doubled to more than £100,000 a year after their companies are floated in November. Page 22

UK STOCKS turned in a surprisingly resilient performance yesterday, brushing aside any bearish implications of the defeat of the Tory candidate in the Mid-Staffordshire by-election. The FT-SE 100 index closed 25 points up, exactly 20 points above last Friday's close, at its best level for a month. Page 18; Lex, Page 22

FT-SE 100 Index



FIAT, Italian automotive group, signed a letter of intent to embark on the biggest motor investment ever undertaken in the Soviet Union. The project could involve a total investment of more than £2.6bn. Fiat will provide the technology to make 900,000 engines and gearboxes and at least 600,000 cars a year.

RENAULT Véhicules Industriels, the French truck maker, has cancelled plans to float part of the company and is negotiating to buy back equity warrants held by three commercial banks following the co-operation agreement between Volvo, the Swedish motor group, and Renault, RVI's parent. Page 10

LAING Properties unveiled a sharp increase in the valuation of its property portfolio as part of its defence against the £441m joint bid from Peninsular & Oriental Steam Navigation and the Chelsfield group. Page 8; Lex, Page 22

SIR GORDON Borrie, Director General of Fair Trading, accused some lenders and credit brokers of adopting illegal marketing practices. Page 5

SUPERCOMPUTERS: Japan agreed to end the sharp domestic discounts offered by Japanese computer companies which have shut US groups out of the public supercomputer market in Japan. Page 3

CHANNEL TUNNEL: Five British contractors digging the tunnel are to be prosecuted by the Health & Safety Executive for the third time. Page 5

STAVELEY Industries, weighing machine maker, announced a $34.8m (£21.8m) agreed offer for Howe Richardson, US industrial weighing and systems group with interests in Europe. Page 9

RICOH, Japanese-based office automation company, plans to establish a European parts research centre in Telford, Shropshire. Page 4

RATNERS, jewellery group, replaced its finance director, signalling a change in strategy. Chairman Gerald Ratner said that after a flurry of takeovers, a more detailed approach to controlling the financial side of the business was needed.

CENTRAL Independent Television, IBA franchise holder for the Midlands, reported marginally improved full-year profits to £27.02m (£26.53m). Page 8

AUSTRIAN Airlines disclosed the final stage of its privatisation plans, when it announced it would raise Sch1.72bn (£88.5m) by issuing 400,000 shares from April 17. Page 10

Thatcher admits concern at mortgages and poll tax

By-election rout sparks Tory crisis

By Philip Stephens, Political Editor

MRS Margaret Thatcher yesterday admitted her concern about high mortgage rates and the poll tax as its spectacular defeat in the Mid-Staffordshire by-election triggered one of the deepest crises of confidence in her Government since 1979.

Senior ministers said that the Government would now be forced to reshape the poll tax, which was blamed for persuading thousands of hitherto Conservative voters in Mid-Staffordshire to switch to Labour.

The basic principles behind the tax will remain intact. But ministers believe that significant changes need to be made in the structure of the present grants system, and that several billion pounds in extra funds will have to be paid to local authorities next year to soften the impact of the tax in the immediate run-up to the general election.

Mr Neil Kinnock, the Labour leader, hailed his party's biggest by-election success since 1935 as a political landmark signalling the end of 11 years of Conservative Government. "The Labour Party has scored an immense victory and the Tory Party has been told to get out," he said.

A jubilant Mrs Sylvia Heal, the successful Labour candidate, added: "The Labour Party is now the Government in waiting. The historic message that will go from this by-election across the western world will be that the dark age of Thatcherism is drawing to a close."

The result, turning a 14,600 majority for the Conservatives at the last general election into a 9,400 majority for Mrs Heal, overshadowed this week's Budget and followed an embarrassing climbdown over poll tax rebates in Scotland.

In a flurry of public statements, Government ministers moved to damp mounting speculation at Westminster that the slump in the Government's political fortunes will lead to a challenge to Mrs Thatcher's leadership later this year.

Mr Kenneth Baker, the party chairman, insisted that Mrs Thatcher would retain her grip on the Conservative Party and lead it to victory in the general election due by mid-1992. But his comments, reinforced by Sir Geoffrey Howe, the deputy Prime Minister, failed to persuade many Conservatives that a contest could be avoided.

The Mid-Staffordshire defeat was described by Mr Michael Heseltine, the former defence secretary, as a "disappointing result" which demonstrated the scale of the task facing the Conservatives if they were to win the next election.

Mr Heseltine, at the centre of speculation over the succession to Mrs Thatcher, continued to insist, however, that he had no plans to challenge the Prime Minister.

A bouquet for the victor: Jubilant Sylvia Heal acknowledges the cheers of her supporters in Mid-Staffordshire

Mrs Thatcher's comments came in a letter to Mr Baker, in which she praised the "mettle" of the Conservative effort in Mid-Staffordshire. Echoing her famous remark about "U-turns" during a troubled period in 1981, she said that the Conservatives were "not for trimming and turning."

In what officials acknowledged was a unusual letter,

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Opinion polls spread shadows of gloom, Page 4; Harsh message, Page 4; Politics Today, Page 6; Editorial Comment, Page 6

Phoney war and tension in Vilnius

By Quentin Peel in Vilnius

THE COMMUNIST PARTY headquarters in of the city of Vilnius is a dull grey building, just behind the State Planning Committee off Lenin Square.

It is so apparently unimportant today that the ordinary people in the street seem almost unaware of its existence. They are far more conscious of the handsome headquarters of the KGB just up the road.

Yet the city committee of the former ruling party, now hopelessly split and out of power in the republic, was the scene yesterday of the first act of open aggression since the Lithuanian parliament declared the Soviet republic independent less than two weeks ago. The building was seized overnight by representatives of the loyal rump of the Lithuanian Communist Party which still pays allegiance to Moscow – to prevent themselves being evicted by the majority.

Moscow last night ordered western diplomats to leave Lithuania as the war of nerves intensified over the republic's demand for independence. The US said its two diplomats there had been given 12 hours to get out and would comply.

A handful of grim-looking volunteers with red armbands manned the doors, with a block of wood thrust through the handles to prevent any unauthorised entry – and a decidedly hostile attitude to any visitors.

"I don't know what to do," said Dr Algirdas Gricius, the physics professor who suddenly found himself elected last week as leader of the independent Lithuanian Communist Party in the city. I think they are trying to cause a clash to get people to use force. I think this is all co-ordinated by the KGB because they don't agree by the decisions made in our parliament."

If public interest is the criterion, he need not worry. In spite of the flurry of threats and counter-threats between the political leaders of the mighty Soviet Union and tiny Lithuania, the people of the republic seem profoundly unmoved. Vilnius appears to be gripped in what can only be described as a phoney war. On Thursday a column of armoured cars sped through

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Bush cautions Moscow, Page 2

Weekend FT

How Alfred and Susan have come to terms with Tuesday's Budget

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A good time with Tessa

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Glad news for givers

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ROUND-TRIP TO HELL

Kevin Brown braves the railways in a journey across Europe

Page I

Perspectives

Life in a Russian Orthodox monastery

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Motoring

Stuart Marshall rediscovers the fun of open-air driving

Page XVIII

Lichfield stirs and goes back to sleep

By Richard Tomkins, Midlands Correspondent

THE FRONT-PAGE headlines said it all. "Labour Landslide" yelled the Daily Mirror. "Tories Take A Thrashing" shouted the Daily Mail. "Boss lusted after my bum" sniggered The Sport.

For a constituency that had just delivered one of the most sensational by-election results in modern political history, however, Mid-Staffordshire seemed to be living life very much as before.

In the sleepy city of Lichfield, the mayor was unveiling a plaque to mark the opening of a building; the ducks were still bobbing up and down on Minster Pool; Dewhurst the butcher was still selling liver at 89p a lb.

But wait: was it a trick of the light, or was there an extra glint in the eye of Dr Johnson, the lexicographer and wit whose statue marks his birthplace in Lichfield's Market Street?

As he gazed down upon the burghers of his native city, it was easy to imagine how the great man might have been amused at his fellow citizens' redefinition of the phrase "a safe Tory seat."

Hours earlier, the revolting voters of Mid-Staffordshire had robbed the Conservatives of their 14,654 majority and delivered the constituency by a margin of 9,449 votes to Labour's Mrs Sylvia Heal, a 48-year-old magistrate from Surrey.

Looking tired but jubilant, Mrs Heal emerged at 9am to take a combination photocall and breakfast with her husband Keith, a personnel manager for a computer software company, in Lichfield's George Hotel.

Digesting her eggs and bacon, she said the message to Mrs Thatcher from the by-election was loud and clear: "It's time to go." Then, taking her own advice, she zoomed off in the Sylvia Heal Battlebus for a lightning victory lap around the constituency – while keeping an eye out for a suitable place for her new home.

The atmosphere at Conservative campaign headquarters in Rugeley was, understandably, more subdued. No battlebus awaited Mr Charles Prior, the 42-year-old accountant and Tory candidate, as he prepared to return to his family in Newbury, Berks, at the end of his thankless three-and-a-half week campaign.

Continued on Page 22

UK inflation dips in February but is expected to rise sharply

By Peter Norman, Economics Correspondent

BRITAIN'S annual inflation rate dipped slightly in February but is set to rise sharply this month and in April.

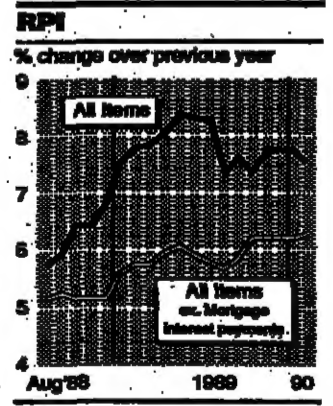
The Central Statistical Office reported yesterday that sharply higher food prices, rail fares and housing costs pushed up the retail prices index by 0.6 per cent last month.

The annual rate of increase fell to 7.5 per cent in February after three months at 7.7 per cent as the effects of a mortgage rate rise early in 1989 dropped out of the index. Economists expect the annual inflation rate to rise sharply to at least 9 per cent and possibly 9.5 per cent in April.

The recent 0.9 percentage point increase in mortgage rates to 15.4 per cent will boost inflation by around 0.4 per cent this month while the increased excise duties announced in the Budget will lift the index by around 0.5 per cent in April.

The poll tax could raise the index by around 0.8 per cent next month after deducting the effects of last year's domestic rate increases. Higher rents,

RPI



prescription charges and television licences will also push inflation higher in April. Seasonal food prices could continue climbing and higher gas, water and electricity charges are certain to add to inflation.

The retail prices index, excluding mortgage interest payments, rose an annual 6.2 per cent last month, pointing to a rise in the underlying inflation rate. This index had been rising at a steady 6.1 per cent since October.

The inflation news was expected by the markets and did not stop Sterling and London equities gaining in value despite the Conservatives' defeat in Mid-Staffordshire.

However, nervousness over whether the authorities will be able to hold bank base rates at 15 per cent surfaced when the Bank of England refused to accept any bids for yesterday's £500m offering of three month treasury bills because the interest rates sought by the market were too high.

The retail prices index rose to 120.2 (base January 1987 = 100) in February from 119.5 in January while the tax and price index, which measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices, advanced to 114.7 (base January 1987 = 100) from 113.9.

Money Markets, Page 11; London Stocks, Page 13; Wall Street, Pages 18 and 19; Lex, Page 22

MARKETS

STERLING
New York lunchtime:
$1.605
London:
$1.6045 (1.6015)
DM2.745 (2.7225)
FFr9.205 (9.2050)
SFr2.435 (2.425)
Y246.75 (246 25)
£ index 86.1 (85.8)

GOLD
New York: Comex Apr
$388.6
London:
$389.25 (393.0)

N SEA OIL (Argus)
Brent 15-day May
$18.3 (18.225)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.7118
FFr5.7675
SFr1.5185
Y154.45
London:
DM1.7105 (1.705)
FFr5.7625 (5.7475)
SFr1.5145 (1.5145)
Y153.85 (155.05)
$ index 68.8 (68.9)
Tokyo close:

US LUNCHTIME RATES
Fed Funds (u)
3-mo Treasury Bills:
yield: 8.16%
Long Bond:
(u)
yield: (u)

STOCK INDICES
FT-SE 100:
2,283.9 (+25.0)
FT Ordinary:
1,796.1 (+17.0)
FT-A All-Share:
1,129.11 (+0.9%)
New York lunchtime:
DJ Ind. Av.
2,707.43 (+11.71)
S&P Comp
337.09 (+1.4)
Tokyo: Nikkei
30,372.16 (+528.82)

LONDON MONEY
3-month interbank:
closing $15\frac{7}{16}$ (same)
Liffe long gilt future:
June $80\frac{5}{8}$ ($80\frac{1}{32}$)

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Kohl settles EC fears on monetary union

By David Buchan in Brussels

MR Helmut Kohl, West Germany's Chancellor, yesterday pledged his willingness to put a united Germany under the umbrella of European monetary, possibly even political, union.

After a three-hour meeting with the European Commission here, Mr Kohl indicated he did not want advance negotiations to establish economic and monetary union among the 12 EC states, due to start in December.

But, once begun, these European treaty negotiations should be "accelerated because of what is happening in Germany," he said. Those who tried to stem the tide of EC integration would be swept aside, he warned.

By coming to Brussels less than a week after East Germany's vote for unity and by promising strong support for faster EC integration, the German Chancellor had made just the political gesture publicly demanded of him by Mr Jacques Delors, the Commission president, EC officials said.

German support, equivocal until recently, for economic and monetary union (Emu) is now taken for granted here, once Bonn has negotiated its common currency with East Berlin. German backing for a further stage of political union is what the Commission and the more federally-minded EC states are now asking as their price for smoothing the absorption of pan-Germany into the Community – and yesterday Mr Kohl came close to paying it.

At this December's opening of Emu negotiations in Italy, "we, the heads of government, could also make more concrete decisions on whether it would not make more sense in a further intergovernmental conference to bring forward, in a stronger way, the question of political union," Mr Kohl said.

The German leader has himself long called for more power for the European Parliament, considered a highly probable part of any Emu package. Thus, any further shift by Mr Kohl would put him very near, if not into, the camp of countries such as Italy and Belgium which espouse a Euro-government, and decisively away from Britain's Mrs Margaret Thatcher, who strongly resists monetary and political union alike.

Though Mr Kohl may have yesterday let his rhetoric outrun his intent – the better to get Brussels and many of his EC partners off his back while he negotiates unity with East Germany – he responded to a question about Mrs Thatcher with an ominous metaphor.

He likened the tide of European integration to the Rhine, on whose banks he was born, and said: "It flows in one direction, and will overwhelm anyone who tries to stop it. Its course is variable, sometimes slow and sometimes fast, but no one can stop it on its way to the sea."

Secession issue threatens to split Estonia party congress

By Mark Nicholson in Moscow

THE Communist Party of Estonia yesterday began a potentially divisive congress which could lead it to emulate nearby Lithuania and detach itself from the Communist Party of the Soviet Union.

The Estonian party's 20th congress opened as results from the Baltic republic's March 18 elections showed nationalist groups to have won almost half the seats in the republic's parliament, but with ethnic-Russian candidates also showing strongly.

At least 27 per cent of the 1.6m-strong republic are Russians, a far greater proportion than in Lithuania, and the community's strength and reservations about independence are reflected both in the poll results and in the party's debate over whether or not to break from Moscow.

The Estonian Popular Front, which is pressing hardest for independence, won 46 of the parliament's 104 seats, at least four less than expected. Russian-speaking candidates, however, won 27. The remainder were won by centrist candidates who largely support a gradualist approach to independence.

The Communist party won 55 seats, but winning candidates were split in their affiliations among Popular Front supporters, centrists and Moscow-oriented conservatives.

The party congress yesterday debated a draft resolution backing eventual Estonian independence, which, with an eye on events in Lithuania, stressed "accession to real independence should proceed through negotiations between Estonia and the USSR".

The republic has already declared invalid the 1940 treaty binding Estonia to the Soviet Union, among other steps towards independence, which have included plans to introduce a domestic currency by the end of the year.

Without a majority in the new parliament, though, nationalists are poorly placed to follow Lithuania in pushing through a declaration of outright independence when the legislature opens in mid-April.

The division of opinions within the 100,000-strong party over independence looks set to cause a split at the weekend's congress. Mr V. Vyalyas, the first secretary, said on the eve of the meeting: "We favour the independence of the Estonian Communist Party, but just what our relations will be with the CPSU it is hard to say." Other leading party officials warned, however, that the division of views on the matter made compromise impossible.

● One of the two chambers of the Soviet Supreme Soviet yesterday endorsed a draft bill on economic relations between the republics and the Soviet centre.

The bill will give more power to the republics in taxation, investment policy and resource management, but define central government prerogatives over a wide range of economic life, from transport and energy policy to setting minimum wages and social benefits.

Dr Leonid Abalkin, deputy prime minister and leading reformist economist, endorsed the bill with the reservation it placed unnecessary curbs on individual enterprises. He also said much work remained to be done on the bill if it was to be enacted as intended by January 1 1991.

MAIN POLITICAL PARTIES

ALLIANCE OF FREE DEMOCRATS
Leaders: Janos Kis, Peter Tolgyessy, Ivan Peto.
Policies: Speedy privatisation, closure of bankrupt enterprises, eventual withdrawal from Warsaw Pact through multilateral negotiations.
HUNGARIAN DEMOCRATIC FORUM
Leader: Jozsef Antall.
Policies: Cautious privatisation. Corporatist approach to market economy. Negotiations on future membership of Warsaw Pact.
INDEPENDENT SMALLHOLDERS PARTY
Leader: Istvan Prepeliczay.
Policies: Return of all land confiscated by communists in 1947 to original owners. Privatisation, market economy. Neutral Hungary.
ALLIANCE OF FREE DEMOCRATS
Leaders: Zsolt Nemeth, Viktor Orban.
Policies: market economy, clean environment, neutral Hungary.
HUNGARIAN SOCIALIST PARTY
Leader: Rezso Nyers
Policies: market economy based on mixed ownership, socialist state on Scandinavian model
Elections: Two rounds. March 25 and April 8.
Parliament: one house; 386 seats.

Transylvania clashes colour Hungary polls

By Nick Denton in Budapest

THE CAMPAIGN for the first round of Hungary's elections closed yesterday, eclipsed by reverberations from the clashes between ethnic Hungarians and Romanians in the Romanian region of Transylvania.

Although the ruling Socialist Party and the three strongest opposition parties have signed a declaration that the Transylvanian situation should not be used for party political gain, the issue could swing the election. Consensus has been that the Hungarian Democratic Forum, which models itself on the German Christian Democrats, will benefit from Hungarian nationalism heightened by the Transylvanian violence.

Mr Peter Tolgessy, candidate for prime minister from the radical Alliance of Free Democrats – the Forum's main rivals - has said it was "always their theme. It is their Falklands". But polls suggest it has been hard for the Forum leaders to persuade the public that their solidarity with Hungarians in Transylvania is different from what all the politicians express.

The real beneficiaries may be the Socialists who have the advantage of government from which to condemn the Romanian regime. The socialist government's stand cannot be divorced from the party's need to rise above a 10 per cent poll rating, to avoid a humiliating defeat. Yesterday, it issued its strongest statement on what it terms the "anti-Hungarian pogroms" in the Transylvanian town of Tirgu Mures earlier this week, in which at least four people died.

Mr Imre Szokai, deputy Foreign Minister, described the attitude of the Romanian leadership to the rights of individuals and communities as "contemptuous" and said Hungarians, gypsies and Jews were being used as pawns in internal power battles. He feared violence similar to that which struck the Nagorno-Karabakh enclave of Azerbaijan in the Soviet Union last year, and expressed fears over "development of a new kind of dictatorship" in Romania.

He defended those who question Romania's right to the whole of Transylvania and the Trianon Treaty after World War I which drew the present boundary between Hungary and Romania. "It's about time the Hungarian people were able to give their own opinions about Trianon," he declared. Many regarded the treaty as unjust and "imposed by diktat".

The main poll battle remains that between the Free Democrats and the Forum, neck and neck in the opinion polls for first place in the first round and for the support of the Smallholders Party, likely to hold the balance of power. Older leaders of the Smallholders have strong ties with Mr Jozsef Antall, leader of the Forum. Others see the Forum as their main competitor for rural votes and want an electoral pact with the Free Democrats in the second round.

De Maizière rejects secret police claims

By Leslie Colitt in East Berlin

MR Lothar de Maizière, the East German Christian Democratic (CDU) leader, rejected fresh claims he was an informer for the secret police and announced his readiness to serve as the newly-elected Prime Minister.

Mr de Maizière insisted his only contacts with the Ministry of State Security (Stasi) were during his work as a lawyer defending dissidents. "I never signed a commitment or received money or any benefits," he said, referring to the main criteria whether a person was a Stasi informer.

Mr Peter Wiedemann, a member of the committee controlling the disbanding of the Stasi, said the charges against Mr de Maizière were "damaging" although unproven. He proposed that the confiscated Stasi files on Mr de Maizière and other members of the Volkskammer (parliament) elected last Sunday be examined next week.

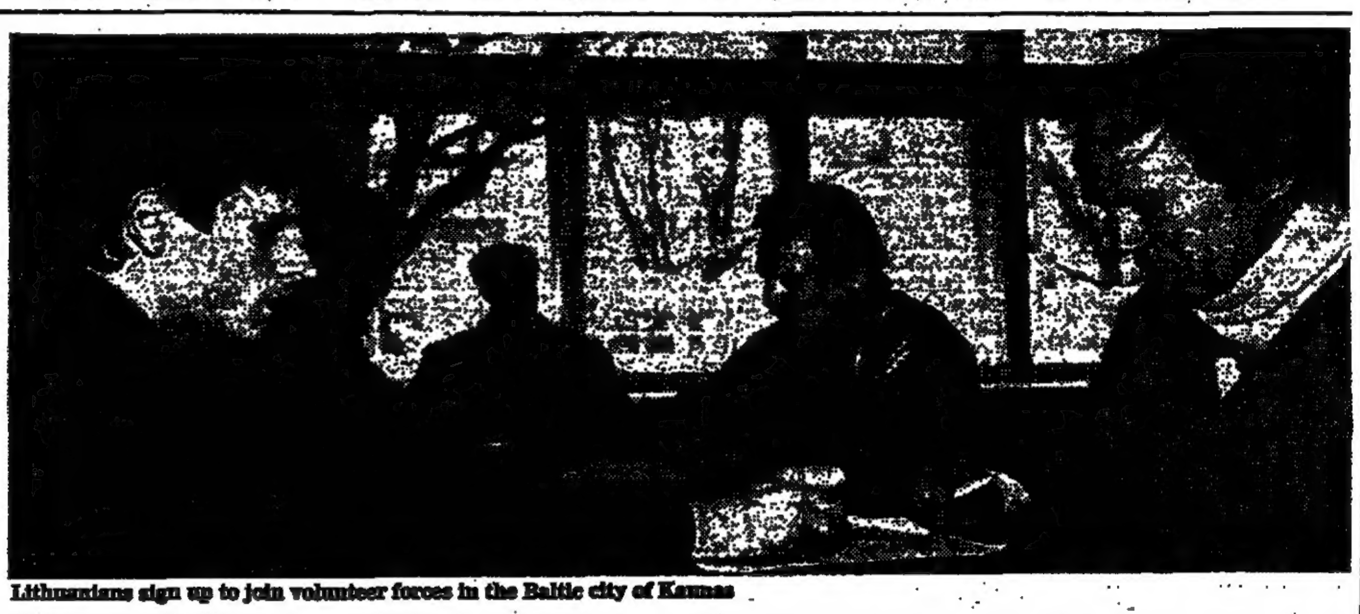
"I would imagine that there are files on virtually all 400 of them," he said. The names of nearly 6m East Germans were contained in the Stasi files but were mainly persons subjected to secret police scrutiny.

The CDU rejected a Social Democrat proposal for the Volkskammer to carry out an investigation of its new members, in order not to damage the country's emerging democracy. An investigation could not be carried out until the Volkskammer was constituted, the CDU said.

Mr de Maizière's bid to become Prime Minister followed a meeting with Mr Helmut Kohl, the West German Chancellor, in Bonn, five days after the election in which his CDU gained 40 per cent of the 48 per cent polled by the conservative Alliance for Germany. Charges of his alleged co-operation with the Stasi were made to the Round Table in East Berlin by anonymous persons believed to be former Stasi employees.

The allegations were particularly damaging after the recent resignation of Mr Wolfgang Schnur, head of the conservative Democratic Awakening, who admitted to having been a Stasi informer.

The Alliance, backed by the Liberals, could govern with a majority but has sought a coalition with the SPD. Their support is needed to obtain a two-thirds majority in the Volkskammer to dissolve the constitution and join West Germany. Mr de Maizière held pre-coalition talks on Thursday with the SPD which had insisted it would not enter a coalition with the Alliance's right-wing German Social Party.



Lithuanians sign up to join volunteer forces in the Baltic city of Kaunas

Bush cautions Moscow over Lithuania

By Peter Riddell, US Editor, in Washington

US PRESIDENT George Bush said yesterday that any use of force or coercion by the Soviet Union in Lithuania "is bound to backfire" and urged the two sides to negotiate a peaceful solution to the crisis caused by Lithuania's declaration of independence.

"Any attempt to coerce or intimidate or forcibly intervene against the Lithuanian people is bound to backfire. That is inevitable," Mr Bush said.

The Administration has also issued private warnings to the Soviet Union that the use of force would result in a serious setback to the recent improvement in bilateral relations.

There have been increasing rumblings from Congress that the use of force by Moscow would jeopardise, or at least slow down, trade and arms talks. A bilateral trade and investment treaty is due to be signed in summer and talks are well advanced on treaties virtually to eliminate chemical weapons and to cut troops in Europe and numbers of strategic nuclear weapons.

However, Democratic and Republican leaders have been stressing the need to avoid doing or saying anything provocative. A resolution calling for US diplomatic recognition of the Lithuanian Government was defeated in the Senate.

The Lithuanian crisis raises questions about the summit meeting between Mr Bush and President Mikhail Gorbachev in Washington in June. The US is keen to pin down dates, but has not had a Soviet reply, in part reflecting Moscow's problems. A summit would also be difficult for the US if the Lithuanian position deteriorates. Mr Shevardnadze is due to visit Washington in two weeks for preliminary talks.

The Administration has been trying to avoid public action or comments which would bring a reaction in Moscow and undermine Mr Gorbachev, while making known its concern about the use of force.

US set for TV war against Castro

By Henry Hamman in Miami

THE US is shortly expected to launch its latest offensive against Fidel Castro's Cuba: a television signal beamed at Havana from a balloon.

US officials and the Cuban exile community, who appear increasingly convinced that President Castro's regime could fall soon, see TV Marti as a way to step up the pressure.

The TV Marti project has been fraught with technical and political problems since its conception in 1987. But everything is reportedly ready for a service which the US Information Agency says will give Cubans an alternative to government programming.

The Cuban government has consistently said that TV Marti is an act of aggression and is threatening a huge jamming operation which could affect reception of TV signals in the US as well as affect air traffic control in the region. Cuba has already protested to the United Nations Security Council about the scheme.

The planned offerings for the initial test of TV Marti seem hardly subversive: rock videos, light entertainment and sports programmes, most re-broadcast from American Spanish-language television networks. News and current affairs programmes will start later.

"It's not going to be a naked cheer-leading attempt for the American capitalist system," promised Mr Michael Schoenfield, the Information Agency spokesman.

The Americans will have to demonstrate they can get their signal on the air. The channel was supposed to start last year but has yet to begin test transmissions.

Mr Schoenfield declined to set a date but promised it would be soon. His apparent tranquillity may be because of the difficulties the Information Agency has already faced with TV Marti.

The first obstacle was the Earth. Since television signals travel in straight lines, beaming a signal the 90 miles from Florida presented difficulties, due to the Earth's curvature.

The Information Agency decided the solution was to broadcast from a US Air Force radar balloon tethered 10,000 ft above the Florida Keys. The balloon sprung a leak. Now high winds are delaying the launch of a replacement.

The latest difficulty is a political row that broke out when the director of the Information Agency's five-year-old Radio Marti, Mr Ernesto Betancort, was removed from his post.

Mr Betancort responded by charging that the chairman of the advisory board that oversees both Radio and TV Marti, Cuban-American Jorge Mas Canosa, had sought his removal in order to advance partisan political goals in a post-Castro Cuba. Mr Mas and the Information Agency rejected the allegations.

According to Mr Ariel Ricardo, press attaché at the Cuban Interests Section in Washington, Cuba does not fear the content of the programmes but rather objects to the violation of the air waves.

He said Cuba can block the TV signal and might retaliate by interfering with radio broadcasting in the US, a prospect worrying US radio station owners. The National Association of Broadcasters has warned that TV Marti could disrupt Miami programmes.

Even if TV Marti goes on the air without Cuban retaliation, other perils may await. In the early 1980s, another Air Force radar balloon, tethered at the same site, broke its mooring cable and started drifting towards Cuba.

A good-citizen boatsman came across the dangling cable, snared it and started back to Florida, balloon astern. But as the day grew hot, the balloon rose and started to lift the boat. The Coast Guard had to rescue the boatsman, and the Air Force scrambled a fighter which shot down the balloon.

Cubans for their part point out the irony of TV Marti: they are denied the right to purchase TV programmes from the US because of the long-standing economic embargo against the country.

Brittan attacks banking rules

By Lucy Kellaway in Brussels

SIR LEON BRITTAN, the EC competition commissioner, yesterday took the US to task over its highly restricted banking market, citing the EC's recently liberalised banking system as an example for the rest of the world to follow.

Sir Leon, in a speech delivered in Washington, criticised US laws preventing commercial banks undertaking the full range of investment banking. Although neither the Glass Steagall nor the McFadden Acts discriminated directly against European banks, efforts to get round the rules indirectly put third-country banks at a disadvantage.

The EC competition commissioner catalogued a series of specific complaints about the inequities of the US banking system. He complained about the protectionist banking rules introduced in some states, citing the examples of Florida and Virginia, where foreign banks cannot buy state chartered banks. He also objected to the rules on 24-hour overdrafts granted by the Federal Reserve Board, on which domestic banks get better terms than foreign banks.

The general tone of the speech was intended to be persuasive rather than threatening. However, under the terms of the second banking directive, the EC has the power to take action against US and other foreign banks if their home countries discriminate against EC banks.

In a separate speech on the same tour of the US, Sir Leon suggested setting up a mechanism for closer ties between the EC and the US on anti-trust matters. It would provide a formal means of providing consultations, assistance and of solving disagreements, he said.

Brittan: EC rules an example to the world

EC approves new rules on environment information

By Tim Dickson in Brussels

NEW RULES guaranteeing freedom of access to information on the environment held by public authorities have been approved by the European Community.

After a debate marked by strong resistance from Mr Klaus Töpfer, the West German Minister – EC Environment Ministers reached a "political" agreement to be formally confirmed by member states in the next few weeks. Aim of the directive is to ensure freedom of access to information in the possession of any public authority subject to specific restrictions, notably Government confidentiality, public safety, business and company secrets, and national security.

Any person will have the right to ask for information without having to prove their interest, though under detailed terms of the legislation, public authorities will be able to recoup "reasonable" costs. This is partly to satisfy earlier fears that public authorities will be inundated by requests.

Despite its image of being to the fore in "green" concerns, Bonn tried to make the directive more specific on the type of information sought. The Germans were unsuccessful in this respect, but environmental groups such as Friends of the Earth remain suspicious that the list of exemptions may in practice be used to restrict the flow of information.

To head off such criticisms, the directive provides for a right of appeal where individuals are refused access. Member states have until the end of 1992 to put the requirements into national law.

New bid to break deadlock on Meech Lake accord

By Bernard Simon in Toronto

A CANADIAN parliamentary committee is expected to start public hearings next week in a new thrust to break the deadlock over Quebec's role in Canada and other contentious issues in the Meech Lake constitutional accord.

The committee will be set up under a proposal by Prime Minister Brian Mulroney which seeks to win broader acceptance for the accord by including at least some objections to it in a "companion resolution" to be submitted to parliament for approval.

The Meech Lake accord, which provides for Quebec to sign the 1982 Canadian constitution in return for formal recognition as a unique part of Canada and wider powers for all the provinces, must be ratified by all 10 provinces before June 23 if it is to take effect. The "companion resolution" would probably be passed separately later.

Faced with a growing separatist movement in Quebec, where the Meech Lake provisions are widely supported, but widespread unhappiness with the accord in other parts of the country, Mr Mulroney said in a TV speech that Canada was at a "critical juncture" in its history.

But "I believe it's possible to extend a hand to Canadians who feel they were overlooked by the Meech Lake accord – aboriginal Canadians, northern Canadians, certain women's groups – without undermining the accord and the consensus it represents".

The prime minister's proposal, based on specific amendments suggested by the New Brunswick Premier, Mr Frank McKenna, was widely welcomed as a move towards a compromise which could break the Meech Lake impasse.

Even Newfoundland's premier, Mr Clyde Wells, who earlier this week took steps to rescind his province's earlier acceptance of the accord, said the public hearings "were a step in the right direction".

However, several hurdles remain. Some opponents have reiterated a concern about passing the accord intact by June 23, without a firm commitment on the amendments. The content of the amendments themselves is likely to be controversial, especially from the point of view of Quebec, which has insisted that the Meech Lake principles must not be diluted. Several other provinces are pushing for Meech Lake to be linked to the sensitive issue of reform of the Senate, the appointed upper chamber of Parliament.

Quebec's premier, Mr Robert Bourassa, said after Mr Mulroney's speech that the francophone province will not negotiate any amendments until the Meech Lake accord is ratified. He added that "we cannot accept in any way a measure weakening Quebec's powers to assure its cultural security. That's why we fought so hard to have our definition as a distinct society written into the accord."

Mr McKenna said yesterday that reconciling the views of Newfoundland and Quebec will be the main challenge in ratifying the accord. "At this stage the gulf appears to be quite wide," he added.

The latest developments in the constitutional debate are bound to enhance the stature of Mr McKenna, 42, who has become one of the fastest rising stars in Canadian politics. In an election two years ago, Mr McKenna's Liberal Party succeeded in winning every seat in the provincial legislature. His name is increasingly mentioned as a future leader of the federal Liberal Party.

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OVERSEAS NEWS

US and Japan in breakthrough on supercomputers

By Nancy Dunne in Washington and Robert Thomson in Tokyo

THE US and Japan yesterday announced a breakthrough on one of a series of contentious bilateral disputes, with an "understanding" designed to boost the sale of US supercomputers to Japanese government agencies and institutions.

Hard bargaining produced an agreement by Japan to end the sharp discounts offered by Japanese computer companies which have shut US groups out of the public supercomputer market.

The dispute is one of the three complaints listed by the US last year under the "Super 301" provision of US trade law, which threatened punitive action against Japan. Two other "Super 301" cases remain: the US demand for market access on wood products and satellites. Talks on wood products led to only a few concessions, with both sides still apart on major issues. The satellite talks have broken down.

US trade officials, despairing over progress of the talks, as well as the broader "Structural Impediment Initiative", have urged "a political push from the top" before settlement deadlines force US retaliation.

A Japanese delegation in the US this week brought new offers to redress the trade imbalance, but the US rejected them as inadequate. They included: stiffer penalties for anti-trust violations, higher spending for Japanese public works projects, and proposed changes in land use policy. Both governments welcomed the supercomputer pact. A US official said that if implemented, it would "give us full and effective access to the Japanese government market."

Under it, Japan has agreed to revise public procurement requirements for supercomputers. Purchase decisions are to be based on quality as well as price, with extra credit given for extra performance.

US capital goods orders fall 18.5% in two months

By Anthony Harris in Washington

SIGNS that the US economy is weakening were underlined yesterday by a further fall in orders for non-defence capital goods, now down 18.5 per cent in two months, and overall durable goods orders in February showed little recovery from the heavy fall in January.

US orders for civilian investment goods fell by 5.7 per cent in February. Outstanding orders fell by 0.4 per cent, only the second fall in three years.

While total durable goods orders rose by 3.3 per cent, thanks to some recovery in the depressed car industry and a sharp rise, against the underlying trend, in defence orders, but are still 7.7 per cent below their end-1989 level. Without defence, orders rose 2.2 per cent in Feburary, but are 6.9 per cent down on the first two months of the year.

The February recovery was little more than half what financial markets had forecast, and provoked some turbulent trading in New York. Bonds started sharply up on this indication that the economy was weaker; but as the dollar fell against the yen later, the bond rise was reversed.

All the main categories of durable goods show falling orders in 1990 except for non-electrical machinery, a group which includes the recovering computer sector.

EC 'distracted' from Uruguay Round

By Peter Montagnon, World Trade Editor

THE European Community has failed to give sufficient priority to the Uruguay Round of multilateral trade negotiations which are scheduled to culminate in Brussels this December with a series of agreements to reform the world trading system, a senior Italian Minister acknowledged yesterday.

In a rare and candid admission that Europe had been distracted from its multilateral obligations by its 1992 single market plan and by developments in Eastern Europe, Mr Renato Ruggiero, Trade Minister, accused both the Commission and his fellow ministers of neglect.

The Commission had been acting like a "supra-government," he said. It has been slow to come up with reports and detailed proposals on the Uruguay Round, he told a conference organised by the Royal Institute of International Affairs and the Confederation of British Industry.

For their part, ministers had tended "to leave the room" when the Round had come onto the agenda at Council meetings in Brussels, he added.

"The result is a lack of leadership in the Community with the consequence that on many occasions we are on the defensive side," Mr Ruggiero said.

Mr Ruggiero, who will be chairing the Council of Ministers during the final Uruguay Round meeting in December, said Europe had not yet recognised what was at stake. The world's main economic powers needed to give their full commitment to multilateralism, if world trade was not to slide into unilateralism and trading blocs.

In a clear bid to reinforce his emerging position as a leading European spokesman on trade policy, Mr Ruggiero also reiterated his suggestion that the General Agreement on Tariffs and Trade needed to be supplanted by a fully fledged international trade organisation with broad powers of dispute settlement. However, in contrast to his original proposal last January, he stressed that this was needed, not to compensate for possible failure in the Round, but because of its likely success.

Gatt was simply a provisional trade agreement which, as presently constituted, could not handle new areas on which agreement is expected in December such as liberalisation of trade in services, better protection for intellectual property and even the subjection of agriculture to the normal rules of international trade.

● The Community also came under fire at the conference from Mr Takehiko Nishiyama, Japan's Ambassador to the EC, who accused it of neglecting his country. Mr Jacques Delors, EC Commission President, had met President Bush five times last year, he said in a prepared text. However, he had met the Japanese Prime Minister only once.

Ruggiero: lack of leadership

'Insider' suit over GrandMet deal settled

By Our Financial Staff

A MANAGER of Inter-Continental Hotels, a former subsidiary of Grand Metropolitan, has agreed to repay trading profits which the Securities and Exchange Commission claims he made through inside knowledge of the UK drinks company's plan to bid for Pillsbury, the US food and restaurants group, in 1988.

The SEC's insider trading suit against Mr Stuart Godfrey alleges that he learned GrandMet was planning to bid through his position as manager of corporate accounting at Inter-Continental. His office was in the same building in New York as GrandMet's US headquarters.

GrandMet announced its intention to sell Inter-Continental to Seibu Saison of Japan five days before it launched the bid, but the £1.35bn disposal was not completed until afterwards.

The SEC said Mr Godfrey, his family members and his girlfriend made a joint purchase on June 20 1988 of Pillsbury call options which expired before GrandMet made its bid, as did additional calls options which Mr Godfrey bought on September 16. The SEC said he then bought 12 call option contracts on September 16 which he sold on October 4, after the bid was announced, to realise profits of some $14,220.

Without admitting or denying the charges, Mr Godfrey consented to a settlement requiring him to pay just over $28,400, a figure including the profits, interest and a penalty.

Japan car scenario 'needed'

By Peter Montagnon

EUROPE needs a clear picture of Japan's car production plans before it establishes any transitional import restraint arrangements in connection with its 1992 Single Market plan, Mr Renato Ruggiero, Italy's Trade Minister, said in London.

Agreement was widespread in Europe on the eventual need to phase out quotas altogether and for a transition period to allow European manufacturers time to adjust, he told a conference on European trade policy.

Since Japan was now a global car producer, it made no sense to ask it to cut exports when it was already transferring production abroad. It was natural to ask for further information.

Mr Ruggiero said it was regrettable that the "passionality" of the European debate on cars had stopped the EC agreeing a common position for the current round of bilateral talks on cars in Tokyo. The UK is concerned about possible curbs on sales in Europe of locally made Japanese cars.

Italy, which currently almost totally bans Japanese cars, was not seeking a "juridical deal" to include Nissan and other Japanese cars made in the UK in European quotas, but rather a gentleman's agreement to take overseas production into account.

Lord Trefgarne, UK Trade Minister, said he was concerned consumers might suffer from such an arrangement. Britain's concern was to ensure cars made in the UK were regarded as European.

Bonn sees end to curbs on sales to E Germany

By David Goodhart in Bonn

THE WEST German Government expects newly democratic East Germany to be removed from the CoCom list, which restricts militarily sensitive high-tech exports to communist states, within a few weeks, according to Mr Christian Schwarz-Schilling, the Bonn Post Minister.

Mr Robert Mosbacher, US Commerce Secretary, said meanwhile that the US and West Germany had agreed in principle to differentiate between eastern Europe and the Soviet Union over trade curbs.

He said there would be a clear distinction in CoCom between eastern Europe, where restrictions would be considerably relaxed, and the Soviet Union, where they would still be rigorously applied.

Mr Schwarz-Schilling said he had made it clear to US trade officials it was unacceptable that restrictions should remain on the import of sophisticated computer and telecommunications equipment vital for the rebuilding of the East German economy.

"In any case, with an open border between West and East Germany, it has now become impossible to stop the inflow," he declared.

West German representatives will meet US officials in Washington early next week to try to reach agreement on a temporary special status for East Germany before the CoCom meeting in June, when a broader revision of the list, including the new eastern Europe-Soviet Union distinction, is expected.

The main difficulty is establishing an export control system in East Germany which can ensure that CoCom-listed goods are not immediately re-exported to the Soviet Union.

● Less than a week after East Germany's first free election, the number of emigrants to West Germany has fallen sharply.

On Thursday, the number was down to 706 compared with 931 on Wednesday. Nearly 2,000 emigrants arrived on most days last week.

The drop has come now despite the announcement that the Bonn Government intends to phase out the housing and social benefits enjoyed by the new arrivals.

Jobless haunt China's parliament

By Peter Ellingsen in Peking

AS China's Parliament, the National Peoples' Congress, this week tried to play down fears of political unrest, a spectre, potentially as dangerous, emerged from among the papers flooding Peking's Great Hall of the People.

Buried in a report from Agriculture Minister He Kang was the news that 3.5m peasants have been laid off, and will join the more than 100m under-employed and jobless now wandering the countryside. When added to the estimated 4 per cent or about 6m without work in urban areas, it amounts a serious unemployment problem.

China's leadership can ill afford to let living standards collapse or allow a growing number of jobless to inhabit the cities, where anti-government sentiment is high. With the official austerity programme already closing opportunities for private entrepreneurs, the state sector needs to remain vital. But indications are it is failing to provide jobs.

Even in Peking, where demand for skilled workers is normally high, a survey found the Government had just 8,000 positions to cater for this year's 33,000 university graduates. "Great efforts" are being made to ensure the success of state-assigned work, where everyone is theoretically guaranteed a job, but work units in the capital will only have 10,000 vacancies this year.

Brussels widens trade pact with Czechoslovakia

By David Buchan in Brussels

THE EUROPEAN Community and Czechoslovakia yesterday reached agreement on substantially widening the scope of their 1988 trade accord to include the transfer of Western know-how to many sectors of the new east European democracy.

At the same time, the European Commission announced an increase in EC textile imports quotas for Poland and Hungary. They will be able to ship, respectively, 23 per cent and 13 per cent more textile and clothing products to the Community in 1990-91.

These two countries are so far the only beneficiaries of co-ordinated Western aid through the so-called Group of 24, whose foreign ministers will meet in June to extend help to Czechoslovakia and the Balkan countries.

The EC's Brussels-based executive has concluded "first generation" trade and economic co-operation accords with the Soviet Union and all east European countries except Romania and Bulgaria.

It is already designing "second generation" agreements which would lower tariffs, give concessional EC finance and set up regular political contacts.

Indian peace-keepers put brave face on Sri Lanka 'failure'

The guerrillas are boasting they have run the world's fourth biggest army to a standstill, Mervyn de Silva writes

INDIA COMPLETES its withdrawal from Sri Lanka this weekend with the departure of the last 1,500 troops from the north-eastern port of Trincomalee.

When the first 12,000 soldiers of the Indian Peace-Keeping Force (IPKF) arrived in the northern Tamil stronghold of Jaffna in late July 1987, Tamil women and children ran into the streets with garlands and home-made cookies, a traditional greeting.

The IPKF was welcomed as a saviour after nearly 10 years of bitter ethnic fighting between the Sri Lankan army, nearly 100 per cent Sinhalese, and the Tamil "Tigers", a separatist rebel group whose guerrillas were initially trained in Tamil Nadu, the Tamil state in southern India.

There will be no such demonstrations when the last contingent boards the last troop ship from "Trinco", whose population is divided among Sinhalese, Tamil and Moslem ethnic groups.

The peace-keeping force swelled to 60,000 troops when a brittle peace with the "Tigers" proved short-lived. "The Indian Government never intended to see us control the north and east because we were far too independent," said Mahattaya, the military commander of the "Tigers" in an exclusive interview in Colombo.

"The RAW (the Indian intelligence agency) had already trained and equipped our rivals, the EPRLF, who were ready to be Indian quislings," he added.

Mahattaya did not deny that the Tigers were also trained by RAW on direct orders from Mrs Indira Gandhi when she was Prime Minister of India. Her motives were now well established. She wanted the Tigers kept on an Indian leash to ensure their separatist aims were not realised.

The Tamils of South India were the first to raise a separatist banner after India's independence, forcing a change in the constitution and the carving out of linguistic states that enjoyed a fair measure of autonomy.

While Mrs Gandhi certainly had no intention of rekindling separatism in India, she saw in the Tigers an ideal weapon for diplomatic pressure on President Junius Jayawardene, Sri Lanka's pro-American president, whose policies were regarded as potentially hostile to Indian security interests and long-term regional ambitions.

President Jayawardene was prepared to give the US Navy access to Trincomalee, a strategically Indian Ocean port larger than Subic Bay in the Philippines.

Sri Lanka had agreed to allow the Voice of America to construct a powerful transmitting station which India claimed could be used for military purposes. President Jayawardene was already receiving some military help from Pakistan, China, Israel plus British "mercenaries" who fought on occasions against the "Tigers".

Mr Rajiv Gandhi, the then Prime Minister of India, decided to intervene in Sri Lanka when the Sri Lankan army launched an assault on Jaffna, threatening enormous loss of civilian as well as "Tiger" life, which could have had serious repercussions in the Indian state of Tamil Nadu.

Indian fighter aircraft flew over Jaffna and Trincomalee dropping food parcels to the Tamils. Mr Jayawardene quickly got the message and signed a "peace accord" under which a peace-keeping force would disarm the "Tigers", and the government would merge the north and eastern provinces, establishing a north-eastern province vested with a substantial autonomy. Mr Jayawardene also signed another document which reassured India's security concerns.

While the Tigers defied the IPKF and resumed their guerrilla war, the presence of 60,000 Indian troops revived the ultra-nationalist Sinhalese group, the JVP, which launched a spectacular insurgency and campaign of terror, paralysing the economy and administration and interfering in elections. All parties to the last presidential election declared the Indians would have to go. Mr Ranasinghe Premadasa, the victor, denounced the "Indian occupation army" which helped him in the struggle to eliminate the most violent of the JVP extremists.

He asked the Indians to withdraw their troops by the end of last July. Mr Gandhi ignored the request. His successor, Mr V.P. Singh, put a "good neighbour" policy at the top of his agenda. He was determined to rescue the IPKF from a long-drawn-out and dirty war in which it was taking heavy casualties and which resulted in the Tamils accusing the Indian "saviours" of worse atrocities than any previously committed by the Sinhalese army. Mr Singh also recognised that the Tigers, rather than any other group, had popular Tamil support.

The IPKF stayed 32 months, lost at least 1,200 men and spent perhaps $1bn (£588m) for what Mr Mani Dixit, the former Indian High Commissioner and an architect of the peace accord, termed "a necessary projection of Indian power".

But it has been India's Vietnam, says Mahattaya, who notes that Indian officers contemptuously referred to the "Tigers" as "boys in sarongs on bicycles", just as the Americans used to refer to the Vietnamese as "Asian peasants in black pyjamas".

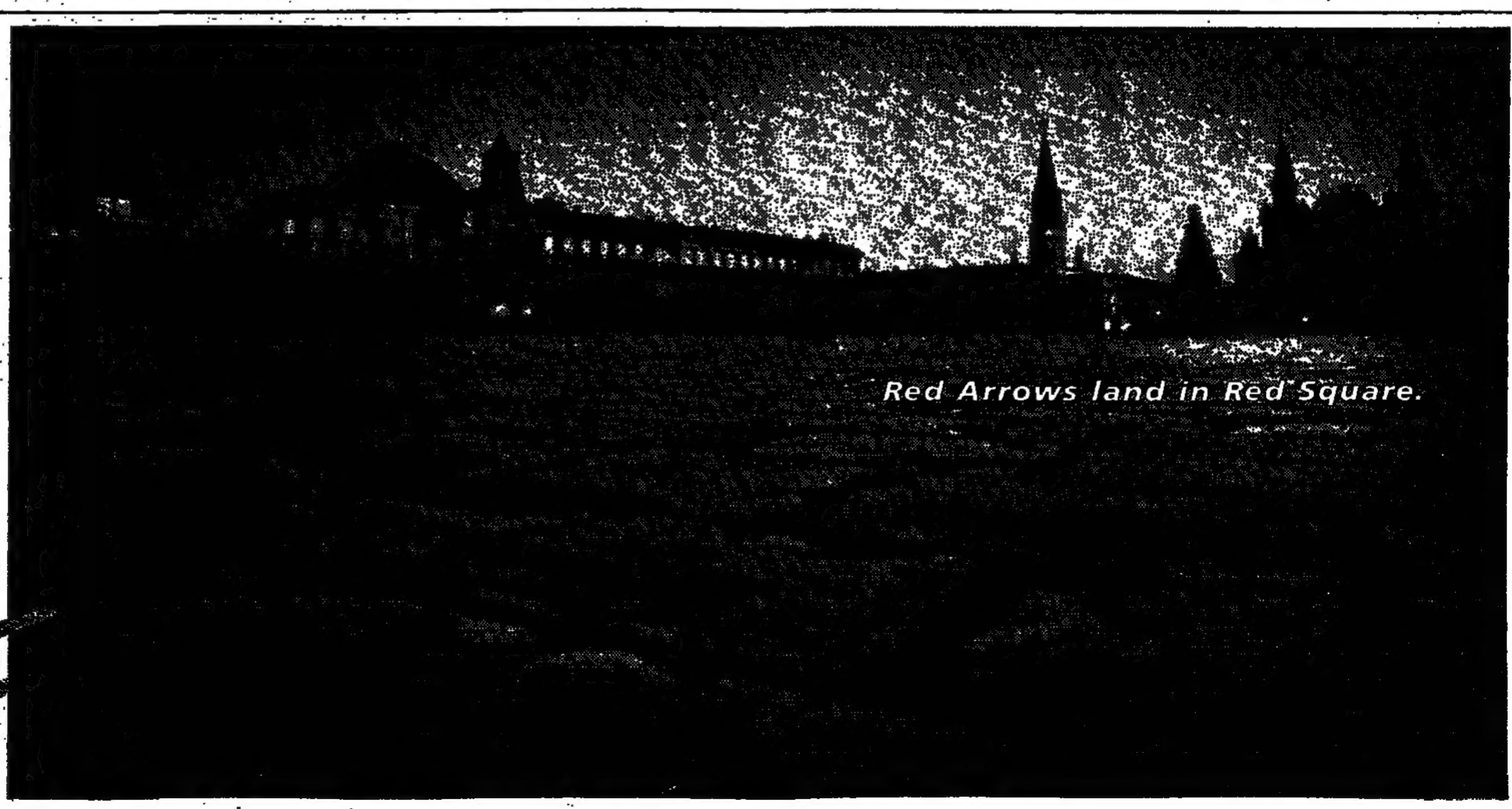
"We have run the world's fourth largest army to a standstill. We have also outmanoeuvred the Indians politically," he added. The "Tigers" have now registered themselves as a political party and are in direct talks with President Premadasa, his senior ministers, and his security advisers.

They are ready to contest fresh elections monitored by "national and international observers". They want greater devolution of power and insist they should be allowed to form their own police force. They have declared a ceasefire but will surrender arms only after the polls. Meanwhile, about 4,000 anti-"Tiger" rebels, equipped with Indian arms, have fled into the jungle.

The Indians are trying to put a brave face on their ignominy. "We have achieved our main objectives – bringing the Tigers into the democratic process, getting the Tamils regional autonomy and safeguarding the unity of Sri Lanka," said the Indian deputy high commissioner in Colombo.

An Indian defence expert claims that the "intervention by invitation" was "a heaven-sent opportunity" because Sri Lanka proved a useful combat laboratory. But a Western military attaché reflected the more general view: "This is the biggest Indian military failure since the 1962 war with China."

After this weekend, Sri Lanka will, once again, be free of foreign troops. Whether peace and prosperity can return to the island is by no means certain.



UK NEWS

Harsh message for humiliated Tories

THE CONSERVATIVE Party knew it was going to lose in Mid-Staffordshire. The pain of its humiliating defeat at the hands of Mr Neil Kinnock's new model Labour Party was no less acute for that.

The brief cheer among Tory MPs after Tuesday's politically skilful Budget was brushed away by the Government's worst by-election loss since it first took office 11 years ago.

The defeat followed the latest in a lengthening list of political miscalculations that led a day earlier to an embarrassing climbdown over community charge rebates in Scotland.

With Mr Malcolm Rifkind, the Scottish Secretary, apparently considering resignation, Mrs Margaret Thatcher was forced into her most stumbling performance in the House of Commons since the crisis over the future of Westland, the helicopter maker, in 1986.

Behind their carefully rehearsed campaign yesterday to explain the by-election result as a temporary "protest vote," senior ministers were privately admitting two possibilities that only a few months ago were unthinkable.

Labour, bereft of much of the extremist baggage that frightened the voters in the 1980s, could win the next general election. The Conservatives, in a desperate attempt to forestall that eventuality, might try seriously to topple Mrs Thatcher.

The Prime Minister is adamant that she will not stand down – she will fight any contender to the last ditch. But, as Mr Michael Heseltine yesterday found himself sifting through an avalanche of requests for media interviews, the speculation at Westminster would not go away.

Although few can see how such a switch might be made without provoking a bloody civil war, Tory MPs on the Thatcherite wing of the party as well as Mr Heseltine's natural centre-left supporters are prepared to admit the possibility.

Against all the odds, four years on the back benches after his stormy departure from the Cabinet in 1986 has, if anything, enhanced Mr Heseltine's image as a winner.

There was nothing in the Mid-Staffordshire result to offer comfort to Mrs Thatcher.

The Midlands constituency, held by the late Mr John Heddle with a 14,600 majority at the last general election, was among the 150 most safe Tory seats in the country. The swing to Labour of 21 per cent was the largest since Labour won the Liverpool, Wavertree, seat in 1935.

The Government's natural supporters in a prosperous slice of middle England deserted it in droves. More alarmingly, the home owners, the affluent working classes, the middle-class professionals, were prepared to switch their votes directly to Labour, bypassing the now crippled centre parties.

There are some legitimate excuses. The coincidence of the poll tax and 15.5 per cent mortgage rates was bound to test the loyalties of the most ardent among the Government's supporters.

Ministers can rightly claim that there was a large element of protest in the electorate's decision – above all about the deeply unpopular poll tax. They can also produce statistics showing that in 1981 and in 1986 its standing in the opinion polls was just as low or lower than now.

Then, however, the Labour Party was discredited. Voters switched to the then Liberal-SDP Alliance which served only to fragment opposition to the Government. That cushion has now been deflated, leaving Mrs Thatcher exposed to a single opposition which has proved it can win the votes of people who a few years ago would never have contemplated such a switch.

"I expected it, but it is awful," one senior minister said of the result yesterday. "The next few months may be even worse."

A middle-ranking colleague added bleakly:"There is nothing I can say about it."

The fear now is that Labour's 21-point lead in national opinion polls will translate into a landslide victory for Labour in the May local elections – already being seen as a referendum on the poll tax. That in turn would intensify the anxieties among Tory MPs and keep alive the speculation over Mrs Thatcher's leadership.

Even so, if the latest result confirms the change in the political landscape that began last year with Labour's win in the Vale of Glamorgan and carried through the European elections, it has not set the new contours in concrete.

There are hazards as well as opportunities for Mr Kinnock. In spite of its insistence that it fought a positive campaign in Mid-Staffordshire, Labour's alternative policies have played only a limited role in the revival of its electoral fortunes.

Voters are aware that Labour has shed its more extremist policies – unilateral nuclear disarmament, wholesale nationalisation, punitive tax rates – but far less conscious of what it now stands for.

As Labour emerges as a potential alternative Government, it can expect much tougher analysis of the often vague framework set out in last year's policy review.

Voters in Mid-Staffordshire, prepared to vote against the poll tax in a by-election, are likely to be much more concerned to see the details of Labour's alternative before doing the same in a general election.

The Conservatives will ensure that the scrutiny – including Labour plans for income tax rates, for trades unions and for public spending as well as for the so-called "roof tax" – is appropriately intense.

The Government also has time. It can expect no respite from high mortgage rates or the poll tax over the next few months. Nor will the economic environment permit any radical U-turns on other policies.

It is clear, however, that by 1991 the poll tax will be recast with the help of several billion pounds of Treasury money. Not even the most alarmist City analyst believes that inflation and interest rates this time next year will be as bad as now. If necessary the election can be delayed until mid 1992.

The task for the Tories, as one minister commented yesterday, is to get from "here to there" – along a path strewn with this year's poll tax bills, with an inflation rate peaking at 9 per cent, and heavy losses in the May local elections.

Mrs. Thatcher, the architect of the poll tax, also has to survive the most threatening slide in her personal standing since she won the leadership 15 years ago.

Philip Stephens

Opinion polls spread shadows of gloom over Government's optimism

MRS SYLVIA HEAL'S victory represents more than a minor earthquake in Mid-Staffordshire that has injured the pride of a few Tory politicians.

For psephologists plotting the rise and fall of government fortunes, the result adds to a countrywide picture of gloom for the Conservatives.

The swing of 21 percentage points to Labour was larger than indicated in national opinion polls – but not to such a degree that it can be dismissed simply as a freak. National opinion polls have shown Labour's lead over the Tories widening over the past year. Early in 1990, opinion polls showed support for Labour rising above 50 per cent.

Shortly after the polls closed in Mid-Staffordshire, BBC 2's Newsnight published its "poll of polls", based on a sample of 4,266 people polled by Audience Selection, Gallup, ICM and NOP.

That put Labour on 51 per cent against the Conservatives' 30 per cent. The swing of about 16 percentage points since the 1987 General Election would be enough to give Labour a majority of more than 200 in the House of Commons.

That sort of projection has to be treated with suspicion – if only because the scale of defeat would be unparalleled in British electoral history. The Conservatives, after Mid-Staffordshire, still have a majority of about 100 in the Commons and have until mid 1992 before an election has to be called. Two by-elections are pending – in Upper Bann, held by the Ulster Unionists, and Labour-held Bootle.

Even so, it suggests that the Mid-Staffordshire result was not exceptional given the countrywide backdrop. The swing in the constituency was only 5 percentage points higher than national indications – making it difficult for Conservative leaders to blame their defeat largely on the exceptional behaviour of voters at by-elections.

Opinion pollsters at Mori calculate that more than 150 Conservative MPs have majorities over Labour smaller than that overturned by Mrs Heal, underlining the party's vulnerability.

What makes the Conservatives' predicament so serious is not the decline in their own support but the backing won by Labour. Compared with previous parliaments, support of about 30 per cent at mid-term is a fair performance by the Conservatives.

Gallup polls showed support for the Government plunging to 23 per cent in December 1981 and to 24 per cent in the summer of 1985. On both occasions, the Government recovered to win the subsequent general election.

The difference now is that the centre parties' vote has collapsed. In the early 1980s, support for the Liberal and Social Democratic Party combined sometimes exceeded 50 per cent.

In their present incarnations, the Liberal Democrats and Dr David Owen's diminutive Social Democratic Party, rate only about 10 or 11 per cent at best in the latest national polls.

Against that background, the centre parties fared reasonably well in Mid-Staffordshire but fell far short of the level of support likely to give the Tories much hope.

No longer are they able to bank on the Alliance parties splitting the opposition and allowing the Conservatives to win comfortably.

Together Mr Tim Jones and Mr Ian Wood, the Liberal Democrat and Social Democratic Party candidates respectively, won about 14 per cent.

At the same time, polls in Mid-Staffordshire showed that opposition was hardening to many government policies – and to Mrs Thatcher in particular.

According to the ITN/Harris exit poll carried out on Thursday, 90 per cent of those switching away from the Conservatives believed the Prime Minister had lost touch with ordinary people. Poll tax was the issue attracting by far the biggest concern among voters, followed by the National Health Service and mortgage rates.

If there was a crumb of comfort for Conservatives, it was the softness in the Labour vote. A quarter of those switching to Mrs Heal said their support for her party was not very strong. If it is to win the next election, Conservative Central Office will need to fight tooth and claw to bring them back to the Tory fold.

Ralph Atkins

Patten puts plan to cut greenhouse gas in EC

By **John Hunt**, Environment Correspondent

PROPOSALS TO reduce emissions of carbon dioxide – the main greenhouse gas – by 100m tons a year have been put to the European Community by Mr Chris Patten, the Environment Secretary.

His plan includes improved fuel efficiency in cars and abandoning Community regulations which mean that many lorries crossing national frontiers have to make the return journey empty.

His proposals were put to the EC Council of Environment Ministers meeting which finished in Brussels yesterday.

He said there should be an early review of EC rules that led to freight vehicles often having to make a return journey empty.

Chris Patten: a call to end "hidden subsidies"

He asked how he was supposed to persuade British electors to make more economical use of their cars when they saw goods vehicles returning empty to other member states.

Mr Patten is calling for changes in regulations that limit the use of gas for power generation. He also wants an end to "hidden subsidies" for energy production in the Community.

Some member states argued for an agreement to stabilise emissions of carbon dioxide by the year 2000. That, however, was opposed by the UK, which wants to wait until scientific evidence on global warming is provided by the Intergovernmental Panel on Climate Change.

The panel is to report later this year.

According to British sources, no decision on the stabilisation proposals was taken, although some states are expected to raise it again.

Carbon dioxide, from fossil fuels such as coal and oil, is the main contributor to global warming.

In a statement yesterday Mr Patten said the British proposals would have more impression on the world than "simplistic political formulas."

At the meeting he called on the council to give a clear lead to the European car industry on what it expects by way of greater energy efficiency from vehicles. He said that even by modest measures to conserve fuel it should be possible to reduce the Community's carbon dioxide emissions from exhaust fumes by 35m tons a year.

He urged a switch to less carbon-intensive fuels such as gas for electricity generation. He asked how Japan and the US could take the Community's environment proposals seriously when "an antique directive" inhibited a switch to gas-fired electricity.

Poll tax non-payment as high as 26% in Scotland

Financial Times Reporters

A TOTAL of 288,554 people in Strathclyde, Scotland's largest local authority area, have paid no poll tax or are more than three months in arrears, according to an internal report from Strathclyde Regional Council.

The figure represents 16.5 per cent of all poll tax payers in the region.

The report, prepared by Mr Archie Gillespie, Strathclyde's director of finance, also found that the highest level of unpaid balances was in Glasgow, where 122,433 people (26.3 per cent) were involved.

Argyll and Bute, with 3,471 people or 7.5 per cent, had the lowest proportion.

A Conservative club in Morecambe, Lancashire, was last night debating a motion to withdraw funding from its local party in protest at the tax.

The club is in the constituency of Mr Mark Lennox-Boyd, Mrs Thatcher's parliamentary private secretary, who was trying to head off the move.

A resolution before an extraordinary general meeting of the 500 members proposes that the club withdraw support, withholding its £1-a-head contribution to the local constituency party and banning it from using the club for functions and fund-raising.

Mr Arthur Lester, the club secretary, said the poll tax was "based on lies, greed and hypocrisy."

He said: "We have taken the action as a form of democratic protest rather than take to the streets with placards and be branded militants or activists."

In London, anti-poll tax organisers representing Plymouth, Torbay and North Cornwall delivered a petition with more than 60,000 signatures to 10 Downing Street.

Ricoh plans quality test centre

RICOH, the Japanese-based office automation company, said yesterday it intended to establish a European parts research centre in Telford, Shropshire, writes Alan Cane.

Mr Masamitsu Sakurai, managing director of Ricoh UK Products, said up to a third of parts such as printed-circuit boards and plastic mouldings supplied to Ricoh's Telford plant and its Colmar, Alsace, plant in France from European manufacturers were unsatisfactory.

The aim of the research centre would be to work with suppliers in the UK and mainland Europe to bring the quality up to Ricoh's standards.

Mr Sakurai said more parts would be sourced locally for the Telford and Colmar plants as quality assurance standards were improved.

Mr Sakurai refused to say how much Ricoh intended to invest in the centre but said that up to eight engineers would be involved in the project.

The centre, which will be established next month, will be staffed at first principally by Japanese engineers.

However, as the centre develops they will be replaced by Europeans.

Manx bank liquidators accused

By Sue Stuart

THE MANX Government used Savings and Investment Bank depositors' money to fund the inquiry into the bank's collapse, it was alleged in an Isle of Man court yesterday.

The allegations came during an application for the trial of eight people in relation to the bank's collapse not to take place because of delays in bringing the case to trial.

Eight former directors, officials and agents of the collapsed Savings and Investment Bank jointly and separately face a total of 37 charges, including fraud and false accounting. The bank failed in June 1982, leaving £42m in debts and many depositors without their life savings.

Mr Stephen Solley, QC, for Mr Victor Gray, one of the defendants, said the Manx High Court had appointed as inspectors in 1982 Mr Michael Jordan of Cork Gully and Mr Timothy Beer of Peat Marwick McClintock, who were already acting as the bank's liquidators.

He claimed that had caused their functions to be blurred, resulting in the bulk of the inspectors' information coming from their work as liquidators, for which they were paid from recovered assets.

"So the poor small depositors only got 15p in the pound interim dividend because so much was spent in liquidation," said Mr Solley.

Mr Solley read to the court details from the hitherto unpublished inspectors' report. He said Mr Peter Duncan, commercial relations officer at the Manx Treasury before the bank's collapse, had been involved in transactions with the Savings and Investment Bank.

Mr Solley said the report included details of an interview with Mr Peter Whelan, former manager of the bank, in which he stated that Mr Duncan had proposed a number of "funny money" deals to Mr Whelan, and that at least one had been set up.

Mr Whelan had also told the inspectors of two letters he sent to Mr Duncan's home regarding a $500m transaction involving the bank and an unnamed company, the report stated.

Mr Duncan had denied receiving those letters or that he was party to that transaction, according to the report. He had resigned from the Treasury shortly before the bank closed.

Mr David Poole, QC, acting for defendant Mr Robert Killin, the bank's managing director, said Mr Duncan, Mr William Dawson, the Manx Treasurer then and now, Mr Percy Radcliffe and Dr Edgar Mann, both past chairmen of the Island's Finance Board, had all refused to be interviewed by inspectors or allow them access to their files.

Mr Poole said inspectors had believed that Mr Dawson's and Mr Duncan's evidence was of such importance that they had applied to the Manx High Court for an order to interview them – but the application was refused.

Mr Poole said the Manx Treasury had received written allegations that the bank had been involved in improper dealings as early as December 1981, but no action had been taken.

Mr Poole also said the inspectors' report stated that the returns made by the bank to the Treasury in February, August and November 1981 clearly showed that the bank was insolvent, but no inquiry had been instigated.

Both Mr Solley and Mr Poole claim that there have been such long delays in bringing the case to court that the trial should not take place.

The police investigation did not begin until autumn 1987, five years after the bank's collapse, and Mr Poole alleged yesterday that one factor in the delay was that Mr Dawson and Mr Duncan were reluctant to assist inspectors in their investigation.

Aircraft company in receivership

THE COMPANY that builds the Optica light observation aircraft was placed in the hands of receivers yesterday. Some 100 jobs are at risk. A buyer is now being sought for the Brooklands Aerospace Group.

Mr Roger Oldfield of KPMG Peat Marwick McLintock, one of the joint receivers, said yesterday that there could be no guarantee for the jobs of 100 skilled workers at the company's base at Old Sarum Airfield near Salisbury, Wilts.

"We hope to find a buyer for the company and keep it in business, but we can't give any guarantees at all at this stage," he said.

The Optica excited the aviation world when it appeared at the Paris Air Show in 1979.

The brainchild of Mr John Edgley, an engineer, it is cheap to operate and has a transparent bubble nose offering all-round visibility.

In 1985 Mr Edgley's company had orders for 80 aircraft. But it crashed on its first operational flight with Hampshire police, killing the pilot and observer.

The original company went into receivership and was bought by Brooklands.

THE GUINNESS TRIAL

Lawyer made no notes of advice to Saunders

MR ANTHONY SALZ, Guinness's legal adviser during the 1986 takeover battle for Distillers, yesterday admitted that there was no written record of advice he said he had given Mr Ernest Saunders, then Guinness's chairman and chief executive, during the bid.

Giving evidence at the Guinness trial, Mr Salz, a partner in City solicitors Freshfields, said he had had no suspicion of any impropriety or deliberate wrongdoing during the bid.

Court report
by **Raymond Hughes**

Mr Saunders; Mr Gerald Ronson, Heron group chairman; Mr Anthony Parnes, a City stockbroker; and Sir Jack Lyons, the millionaire financier, deny charges arising from an allegedly unlawful share support operation mounted by Guinness during the takeover battle.

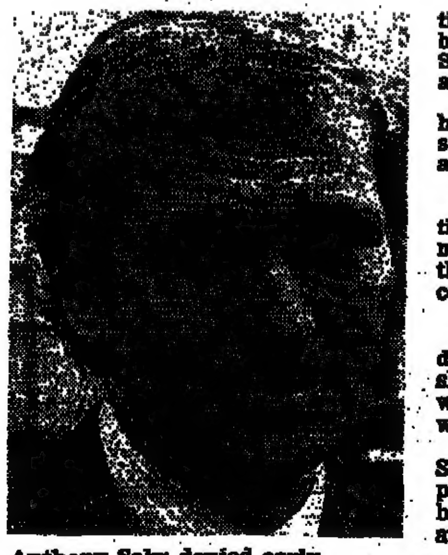
Mr Salz was asked about the extent of the understanding of Guinness directors, in particular Mr Saunders, of section 151 of the 1985 Companies Act. The section makes it an offence, except in certain limited circumstances, for a company to give financial assistance for the acquisition of its own shares. Mr Saunders and Sir Jack face two charges under the section and Mr Ronson one.

Mr Salz said the section had been mentioned at a Guinness board meeting on January 19 1986, the day before the bid was announced, when Mr Saunders had appeared to understand the legal position. It had been mentioned on three subsequent occasions, when it had been explained that it was unlawful for a company to indemnify those who bought its shares against losses when the shares were sold, Mr Salz said.

On the first, he said, he thought he had discussed it with Mr Olivier Roux, then Guinness's director of finance; he was not sure if he had done so with Mr Saunders. On the second he had raised it with Mr Roux but not with Mr Saunders. The third occasion had been a meeting at which Mr Saunders had been present.

Mr Salz said it had also been explained to Guinness directors, including Mr Saunders, that the City code required disclosure of dealings in the shares of a bidding company by associates of that company. He said he had discussed that with Mr Saunders and Mr Roux and Mr Saunders appeared to have understood that there had to be such disclosure.

Mr Salz said that until December 2 1986, the day after Department of Trade and Industry inspectors were appointed to investigate Guinness, he had had no knowledge of indemnities being offered or success fees paid to those who supported Guinness's share price during the bid.



Anthony Salz: denied early suspicion of wrongdoing

Mr Richard Ferguson, QC, for Mr Saunders, asked Mr Salz: "Is it right that you do not have any note or written record of any occasion on which you sat down with Mr Saunders and took him through the intricacies of section 151?" Mr Salz said that was correct, but, he added, "I have no doubt that Mr Saunders was well aware of section 151 and what it meant."

Had he any correspondence from himself to Mr Saunders about either section 151 or possible illegalities? asked Mr Ferguson.

Mr Salz said he was not aware of any.

Mr Ferguson said it might well be that Mr Salz had had section 151 in mind, "but it doesn't follow from that that you translated your thoughts or concerns to the mind of Mr Saunders."

Mr Salz: "I am quite satisfied I did."

Mr Ferguson suggested that Mr Saunders' attitude had been that the lawyers should get on with the legal issues while he had been primarily concerned with public relations.

Mr Salz said it was fair to say that Mr Saunders had been very concerned with public relations but not fair to say he had not understood the section 151 situation.

Mr Ferguson: "Did you on any occasion make a record in writing of the giving of any advice to Mr Saunders?"

Mr Salz: "No."

Mr Michael Sherrard, QC, for Mr Ronson, suggested that "any suspicion of impropriety or deliberate wrongdoing simply did not arise as far as you were concerned in the course of the bid ?"

Mr Salz: "Yes, that is correct."

The trial continues on Monday.

NEWS IN BRIEF

Judgment on snuff exports is reserved

THE High Court yesterday reserved judgment on a claim by United States Tobacco International that a government ban on the supply of oral snuff does not prevent it from exporting its UK-made "Skoal Bandits" to the rest of Europe.

The company, which has a manufacturing and packaging factory at East Kilbride, Strathclyde, says safety regulations prohibiting the supply of oral snuff because of alleged links with mouth cancer are threatening to put it out of business in Britain.

Fowler appointment

SIR Norman Fowler, MP for Sutton Coldfield and the former Employment Secretary, has joined the board of Group 4 Securitas, where he was an adviser before he joined the Cabinet.

Football merger

THE trusts that for the last decade have funded improvements at football grounds have merged. The Football Trust (1990) will replace the Football Trust and Football Grounds Improvement Trust. In Tuesday's Budget the Chancellor said the trust would benefit from a cut in the duty on pools betting.

UK NEWS

Borrie gives warning over loan rule infringements

By David Barchard

SIR GORDON BORRIE, the Director General of Fair Trading, yesterday accused some lenders and credit brokers of adopting illegal marketing practices.

He said the activities of some lenders were "unacceptable" and in breach of the tougher credit advertising regulations introduced last month.

Sir Gordon also warned that action might be taken against low-start mortgage lenders placing advertisements that misrepresented the annual percentage rate of interest charged on their loans.

His remarks were the latest in a series of attacks on unethical practices by credit brokers and lenders at the lower end of the market.

Speaking to the Corporation of Finance Brokers in Birmingham, Sir Gordon said he shared the dismay of reputable lenders and brokers at the misdemeanours of others in the industry.

The first of Sir Gordon's targets was the "non-status" secured loan market, which allows people already in severe difficulties to obtain fresh loans secured against their homes. Sir Gordon said people with extensive debts were extremely vulnerable and should be made aware of the risks in so-called consolidation loans.

He also warned that some lenders were ignoring the credit advertisement regulations in force since February. "I deplore the extent to which some advertisments are still not complying – in some cases blatantly – with the new requirements," Sir Gordon said.

He said that some advertisers did not print the compulsory "health warning" about the risks which went with taking out a loan, while others were trying to dilute the warning's impact by printing extra words before or after it.

"The warning is necessary for the protection of consumers," Sir Gordon said, adding that he deprecated attempts to downgrade the impact of warnings about the risks of secured loans. Some advertisements for low-start mortgages also came under fire. Sir Gordon said he had seen many advertisements that were misleading or confusing.

"They do not make it clear what the cost is going to be once the low-start 'honeymoon' has come to an end," he said. Those, and others that misrepresented the annual percentage rate charged, would face action from the enforcement authorities.

Sir Gordon Borrie: "some activities unacceptable"

Top hotels do better, report says

By David Churchill, Leisure Industries Correspondent

LUXURY HOTELS in London fared better than tourist-class accommodation last year, a survey from management consultants Pannell Kerr Forster said yesterday.

The survey shows that top London hotels such as the Savoy and the Ritz, popular with business travellers and well-off individual travellers, enjoyed a 7.4 per cent increase in room occupancy in 1989 compared with 1988.

Budget hotels catering for package-deal tourists from overseas and other parts of Britain saw room occupancy drop by 2.5 per cent.

Mr Alan Hopper, Pannell Kerr Forster's managing director, said the survey "showed that London can still attract high-spending visitors who are prepared to pay premium prices for quality service."

However, the capital was beginning to lose those tourists who were seeking better value for money.

"The resurgence of provincial centres like Edinburgh, the Lake District and now the north-east could mean that visitors see a stay in London as part of a tour and do not stay for a whole holiday," he added.

Although London is the main destination for most overseas visitors to the UK – about six out of every 10 visitors stay in the capital – its popularity with tourists has been declining in recent years.

However, Mr Hopper said that he expected London's hotel industry to achieve volume growth ahead of inflation in 1990. "But the performance of the UK economy during the next year will determine whether a further surge in performance will be delayed," he added.

London Hotel Trends 1990, Pannell Kerr Forster, 78 Hatton Garden, London EC1N 8JA. £50.

Police link mail train raid to IRA

By Kieran Cooke in Dublin

POLICE in the Irish Republic suspect that paramilitaries were behind a mail train robbery near the Northern Ireland border late on Thursday.

They say a gang of at least 15 armed men robbed the Dublin-Dundalk train after overpowering the train's crew and a signalman. The robbers escaped with at least 80 mail bags.

Earlier, the men had held the occupants of two nearby houses hostage as they waited for the train at a stopping point. Police in the Republic of Ireland say the gang members had Northern Ireland accents.

They believe that the IRA and other republican groups are running short of funds after the collapse of various money-raising operations in the border area.

Dundalk is the last stop in the republic on the Dublin-Belfast railway line. The railway has been repeatedly bombed by the IRA over the past 18 months.

A motion calling on the Government to take all practical steps to keep the Dublin-Belfast line open has won all-party support in the Dail, the Irish parliament. Several parliamentary members said that the railway bombings had more to do with racketeering than with politics.

Broker fined for contempt after libelling TSB

AN INVESTMENT broker who wrote libellous letters about the Trustee Savings Bank was fined £25,000 for contempt of court yesterday. Mr Justice Hirst, at the High Court, said Mr Gwilym Williams's behaviour was an "abominable provocation" stemming from "malice or obsessiveness."

The judge said Mr Williams, of Harpenden, Herts, had written letters libelling the TSB to the Governor of the Bank of England, the Observer newspaper and the head of the TSB group, in defiance of a High Court order stopping him publishing the libellous material.

Tory MP to stand down

SIR John Stradling Thomas, Conservative MP for Monmouth, has bowed to pressure and told his constituency he will not stand at the next election, writes Anthony Moreton, Welsh Correspondent.

A motion to deselect Sir John, to have been discussed at a constituency meeting next Friday, was thought to have a good chance of success. Sir John has been criticised for not taking a more active role in the Commons.

Sir John is 64 and has represented Monmouth since 1970. At the 1987 general election he had a 9,350 majority. He became a junior whip in 1971 and Deputy Chief Whip in 1979. Between 1983 and 1985, he was Minister of State at the Welsh Office.

Sir John's decision avoids a second embarrassing constituency challenge for the Conservative Party in Wales, which holds only seven of the principality's 38 seats. Sir Anthony Meyer, who challenged Mrs Margaret Thatcher for the party leadership, was dropped in Clwyd North West two months ago.

● Sir William Clark, MP for Croydon South and chairman of the Tory backbench finance committee, yesterday announced that he would not contest the next general election, saying he would be nearly 74 at the next election.

He has a majority of 19,063.

MPs urge investment boost for British Rail

By John Mason

THE Government yesterday came under cross-party pressure to increase investment in British Rail to help to provide a high-speed link to the Channel tunnel, to bring in safety improvements and to compensate for the economic downturn.

Mr Michael Portillo, the Transport Minister, defended the Government's investment record in BR, insisting that it compared favourably with that of France.

In a Commons debate on railway investment criteria Mr Portillo refused to be drawn on speculation that the Government could use a loophole in the law, allowing public investment in commuter routes, to fund the high-speed link.

He said only that the question remained whether public money should be used to cut 30 minutes off the three-hour journey time between London and Paris achievable without an updated line.

Joan Ruddock: Chancellor undermined BR predictions

Mr Portillo also rejected the call by the Central Transport Consultative Committee for a fundamental review of BR investment. He said the committee had failed to consider improvements in standards already achieved by BR.

Mrs Joan Ruddock, a Labour Transport spokeswoman, said predictions in BR's corporate plan about economic growth had been undermined by the Chancellor's assumption that growth next year could be as low as 1 per cent.

The slowdown and the decline in the property market, which had undermined BR's asset sales, might mean cuts in investment programmes of up to £500m, she said.

Mrs Ruddock also called for a strategic approach to the Channel tunnel link and the repealing of legislation preventing public investment in the project.

The Government looked as though it would have to find up to £700m to save the project from collapse. It was not good enough for public money to be used just to avoid political embarrassment, she said.

Mr Robert Adley, Tory MP for Christchurch and a prominent supporter of rail transport, called for greater investment to enable BR to meet the safety recommendations of the Hidden Report into the Clapham Junction disaster.

Only £8m had been provided so far, while estimates indicated that the total cost to BR of implementing the recommendations might be £500m.

EMPLOYMENT

Hoover to eliminate foremen at its plants

By John Gapper, Labour Editor

HOOVER, the domestic appliance manufacturer, is to eliminate foremen from its two British factories as part of a reform of working practices. The move follows a decision last year to cut 476 jobs because of a fall in orders.

The 74 foremen at the company's plants in Cambuslang in Scotland and Merthyr Tydfil, south Wales, will be replaced by a smaller number of supervisors who will be given greater responsibility. Some of the foremen are to be promoted to the new posts, and others made redundant or moved to other jobs.

The move has been agreed with the MSF general technical union at Cambuslang, but formal proposals have yet to be put to unions at Merthyr. Unions there have not objected to the idea in principle.

At the Merthyr plant, which makes white goods including washing machines, the change would involve eliminating 42 foremen and increasing the number of superintendents in charge of them from about 20.

The move is part of an attempt to give greater responsibility and autonomy to supervisors. The company wants them to take more responsibility for managing shopfloor workers and for them not be distracted by having to control materials.

A number of manufacturing companies have tried to increase the autonomy of first line managers as part of a move towards controlling work in teams, but Hoover's elimination of a complete supervisory layer is unusual.

Mr Ian Bonnar, Hoover personnel director and manager of the Merthyr plant, said foremen at Merthyr had not been given sufficient training by the company in the past, and their role had changed from supervision to materials handling.

The company is aiming to recruit a number of new supervisors – known as superintendents.

At the Merthyr factory, it wants to switch some foremen into specialist manufacturing tasks such as solving day-to-day line problems.

Hoover announced last September that it was cutting 476 jobs because of foreign competition and a fall in demand. The company plans to reorganise work patterns to complement capital investments of £12m at Merthyr and £15m at Cambuslang.

Five contractors will face charges over tunnel safety

By Andrew Taylor, Construction Correspondent

FIVE BRITISH contractors digging the Channel tunnel are to be prosecuted by the Health & Safety Executive for the third time, this time for allegedly failing to take reasonable steps to ensure the safety of their workers.

The five contractors, Balfour Beatty Construction, Costain Civil Engineering, Tarmac Construction, Taylor Woodrow Construction and Wimpey Major Projects are due to appear at Maidstone Crown Court on Monday.

Mr John Rimington, director general of the executive, will meet representatives of the Anglo French Channel tunnel safety authority on Monday to discuss responsibly for enforcing safety once the service tunnel is completed.

The safety authority was established by the British and French governments in 1986, and the service tunnel is due to be completed at the end of this year.

The contractors are being charged with failing to ensure the safety of employees while making modifications to a tunnel boring machine just over a year ago.

The charges were made following investigations by the executive into the death of a Channel tunnel worker, Mr David Simes, on February 6 last year. Mr Simes was crushed by an overhead travelling crane.

The safety lapses alleged by the executive are not linked to the death of Mr Simes.

The executive has prosecuted the British contractors on two previous occasions. Neither involved death nor serious injury to workers. On the first occasion, each of the five companies were fined £1,750. On the second occasion, they were each fined £4,000.

There have been four deaths involving British workers on the Channel in the past 15 months.

In January 1989, a man was run down by a train; Mr Simes was killed the following month; in October, a tunnel worker was crushed by machinery and in January this year there was another death following a train accident. There has been one fatality on the French side.

Dr John Cullen, chairman of the Health and Safety Commission, previously has warned contractors not to sacrifice safety in the interests of speeding up work. The general safety record on the project, however, has been regarded as reasonable.

Dr John Cullen: warning over safety

The charges against the five contractors were referred to Maidstone Crown Court following a preliminary hearing at Dover and East Kent magistrate's court which was held last October.

Civil Service entry scheme attacked

By Michael Smith, Labour Correspondent

A CIVIL SERVICE scheme to recruit junior managerial staff from other employers for the first time appears to have failed to meet its aim of significantly improving the pool of talent available to departments.

Under the scheme, people from all backgrounds are invited to enter a competition for direct entry to higher executive officer grades. Previously, only people who have started as clerical or executive officers have been able to become HEOs.

However, in the first significant test of the system, only 70 of the 440 successful candidates previously worked outside the Civil Service. Although the Treasury did not set a target when it allowed departments to take part in the scheme, the expectation was that the proportion of non civil servants winning places would be higher than 15 per cent.

The National Union of Public and Civil Servants yesterday attacked the scheme as a costly mistake which had cost the Treasury dear in advertising.

Mr Eddie Reilly, assistant general secretaty, said that departments had embarked on a circuitous and bizarre route to achieve the same ends as could have been acheived by normal internal promotion methods.

"Here we have the ludirous situation of serving *civil* servants being recruited to a higher grade over the heads of colleagues in their own departments without following agreed promotion procedures," he said.

The NUCPS argues that direct entry from outsiders will destroy the career structure for junior managers and will create a climate for direct entry recruitment for every grade.

The Treasury said yesterday, however, that departments had been able to recruit 70 more people than would otherwise have been available

Second county to seek local deals

By Diane Summers, Labour Staff

BUCKINGHAMSHIRE County Council looks set to become the second large local authority to opt out of national pay bargaining for white-collar staff. In common with other employers in the south-east, the council faces stiff competition for skilled staff.

Kent County Council employees last month voted for a move to local pay, making the council the first of the big local authority employers to go its own way.

It is planned to introduce the Buckinghamshire scheme, known as Bucks Pay, in July if it is approved by council members. A consultation exercise is being carried out among the authority's 6,500 administrative, professional and technical grade workers.

Nalgo, the local government white-collar union, remains opposed at a national level to local deals. Attempts to introduce greater local flexibility into collective bargaining led to severe disruption of council services last year and the eventual defeat of the employers' side on the issue.

Lacsab, the local authority advisory board, says it issued a warning at the time that a lack of progress on local flexibility could lead to councils pulling out of national negotiations.

However, Nalgo maintains that national agreements are already sufficiently flexible to cope with local conditions.

A letter to all white-collar staff at Buckinghamshire sets out new pay scales but actual increases will not be announced until the end of next month. In Kent the move to local pay will mean a 10.1 per cent increase from April, rather than July – the national settlement date. Nalgo has put in a national flat-rate claim for £1,500.

While the two county councils are the first to end national negotiations, a number of smaller district council have had local pay for some time, such as Hove Borough Council in East Sussex.

NatWest strike threat recedes after ballot result

By Michael Smith, Labour Correspondent

THE PROSPECT of industrial action at National Westminster Bank receded last night after union members voted only narrowly in favour of staging strikes.

Although the Banking Insurance and Finance Union secured the 50 per cent majority the law requires for it to organise strikes, union leaders meeting on Tuesday will face strong pressures not to call out members.

Bifu would not reveal the result of the ballot among about 20,000 members last night but the difference between those voting in favour and against was known to be small. The union's hand has been further weakened because members of the NatWest Staff Association, which negotiates separately on pay for its 40,000 members, has already accepted the bank's 8.3 per cent offer.

The offer is on a par with the one accepted by unions at Lloyds Bank but falls short of the 9.15 per cent offered by Barclays Bank.

Bifu has accepted the Barclays offer which is being opposed by Barclays Group Staff Union because of pay scale changes required by management.

● Bifu members in the data processing departments with the TSB are balloting for industrial action over the management's plans to cut jobs.

The union expects more than 100 job losses as a result of the closure of Bootle computer centre and changes at the Edinburgh, Glasgow and Crawley centres.

It believes a further 100 jobs are threatened by the downgrading of the Milton Keynes computer centre to a standby development centre.

Bifu is balloting data processing members over a series of selective strikes.

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The strategy of Mr Major

AFTER HIS first Budget, delivered with some aplomb last Tuesday, Mr John Major is no longer an unknown quantity. He is, it turns out, precisely what he seems to be: cautious, pragmatic, conservative and, first and foremost, a politician. Mr Nigel Lawson loved to expound general rules to guide economic policy (even if he often ignored them, in practice). Mr Major, it appears, prefers to muddle through.

This is not the only difference between the Chancellor and Mr Lawson. His predecessor inherited room for manoeuvre; Mr Major inherited almost none. His choices were limited and unpleasant, but exceptionally important. On Mr Major's narrow shoulders rests the fate of this accident-prone Government. Somehow he must not only clean up the economic mess he inherited, but persuade the electorate to ignore the Government's other *faux pas*, above all the poll tax.

It is a daunting burden, but success could bring a correspondingly attractive prize: the succession to Mrs Thatcher. There is just one hurdle to jump: winning the next election. That, as the by-election in Mid-Staffordshire has made clear, will be no easy task. What is also clearer is Mr Major's strategy. It is a fitting one. Slow and steady, whispers Mr Major to himself, wins the race.

The Chancellor had two options: overkill and gradualism. He has chosen the latter. "Overkill" was what the City wanted. This would have meant higher interest rates in response to any exchange rate weakness and a substantially tighter budget. "Overkill" would have imposed a great deal of pain in 1990 and early 1991, but it might also have sharply reduced the underlying rate of inflation and allowed substantial reductions in both taxation and interest rates in 1991 and (if required) 1992.

Foreign exchange crises

Mr Major has rejected this option. Politically, he is concerned that higher interest rates would destroy Tory morale and, in so doing, generate the very foreign exchange crises that he wishes to avoid. Economically, the damage done in 1990 might have proved too great to be rectified before the election.

The Chancellor has chosen to proceed on the path laid out for the economy by his predecessor's decisions. He neither tightened fiscal policy nor strengthened the monetary policy framework. Once more a monetary overshoot, that in narrow money (M0) has led to an increase in next year's target range.

More important, nothing has been done to strengthen the exchange rate commitment. Back in November 1988, when sterling was worth DM 3.17, Mr Lawson – asked what he meant by depreciation – replied "when it happens you know. It is the difference between normal market fluctuations and the pound taking a dive." We do know. The pound has dived, to DM 2.74.

Rise in unemployment

None the less, the Treasury expects that headline inflation, after jumping to a peak of around 9½ per cent in April, will fall to 7¾ per cent by the end of the year and 5 per cent by the end of the first half of 1991. Meanwhile, this year's exiguous economic growth (1 per cent being the forecast for gross domestic product) should mean a rise in unemployment and some decline in the rate of wage inflation. Also declining would be the current account deficit, to £15bn this year and £12bn (at an annual rate) in the first half of 1991. The figures for February, announced on Thursday, do at least not rule out such an improvement.

Then, in early 1991, will come slow economic recovery, with growth of 1½ per cent in the first half of the year (over the first half of 1990). Mr Major will be unable to make significant tax cuts (the fiscal adjustment pencilled in being a mere £1bn and the pressures on expenditure making it unlikely that even this will be available). But, he might have persuaded Mrs Thatcher to accept entry into the exchange rate mechanism of the European Monetary System. This, it appears from the FT's post-budget poll of directors of large companies, might be rather popular in influential circles. Then, with an improving external position, interest rates could fall, if not by much.

This, then, is the prospect offered by Mr Major to the Tory troops: renewed, but modest, growth; lower headline inflation, but underlying inflation higher than at the last election; a large current account deficit, but a smaller one than now; and higher levels of unemployment, though lower than a few years ago. Meanwhile, the Labour Party's exchange rate mechanism clothes will have been stolen, along with its ability to promise expenditure increases without corresponding rises in taxation.

So there is to be no pre-election boom. The performance he promises is, like himself, solid, respectable, but undazzling. Will it be enough to win a fourth term for the Conservatives? That is the most intriguing question in British politics.

POLITICS TODAY

More disasters in Wonderland

By Joe Rogaly

The most important task facing Mrs Margaret Thatcher now is the restoration of the morale of Conservative members of Parliament. If enough of them really take fright she's out – and she knows it. I still think there is a greater chance that she will stay than that she will go, but there could be another leadership contest later this year. Long before that some backbench MPs will indeed panic. I would, and I suspect you would too, if you saw that a tired British Cabinet has this week displayed the competence of the Three Stooges, the Crazy Gang, the Marx Brothers, Flopsy, Mopsy, Cottontail and not quite Peter.

Put all of the above into red noses at the circus and even they would be hard-pressed to script the poll tax. I argued in these pages, about this time last year, that it was not possible to imagine a Labour victory at the next election because not even this Tory administration (a slightly different administration then) could behave with sufficient stupidity to engineer a Labour gain of 100 Parliamentary seats and hence an overall majority in 1991 or 1992. I plead guilty to a failure of the imagination. The relevant stupidity quotient has been filled and overfilled. If Mrs Thatcher's Government goes on like this it will deserve to be vanquished.

Let me try to be helpful. The following is for the Prime Minister's attention: *when you bribe voters, bribe all of them at the same time, in a manner that ordinary people will say is fair. If not, the ones who are left out squeal, and you lose the electoral benefit of the bribe.*

That should be plain enough. Yet it was presumably not evident to anyone on Tuesday morning, when the Chancellor of the Exchequer, Mr John Major, rehearsed his Budget before the Cabinet. Mr Major proffered a nice little concession to poll tax payers with small savings and low incomes. Someone should have said, "this must apply retrospectively to Scotland, where we put in the community charge a year ago." Either no one spoke up or, worse, someone did and was not understood. The textbook response would be, you do not legislate for retrospective concessions. In present circumstances that would be the response of the official mind, the exhausted mind, the stubborn mind, the complacent mind – but not the mind of anyone in tune with Scottish feeling.

We have seen the result. The affable Mr Donald Dewar, Labour's spokesman on Scotland, was so quick to the mark that he tried to interrupt the Budget speech to protest. Tuesday was Scottish Outrage Night; Wednesday was English Explanation Day. The more ministers spoke up, the tighter the knots into which they tied themselves. The strangulation-knot was fashioned by the Scottish Secretary, Mr Malcolm Rifkind. He never wavers from his professions of loyalty to the Prime Minister, even in private. Before the Budget he harboured a fancy that the Tories might win a few extra seats in Scotland next time, and thus save the Government. No chance. On Humiliation Thursday it seemed to the whole political world as if Mrs Thatcher had been frightened into a U-turn by thoughts of the possibility that Mr Rifkind might resign. What? Yes. Mrs Thatcher. Frightened. U-turn. Something may be happening.

The inevitable cheque was produced. The Prime Minister, clearly rattled, spluttered her explanations at Question Time; the Labour Leader, Mr Neil Kinnock, began to appear statesmanlike. It would be in character for her to recover her composure, but meanwhile here is a hard prediction: that Scottish cheque will not work. It will not be enough. There is no end to the stream of bribes, using your money and mine, that the Government will hand out in an endeavour to rescue itself from its own ineptitude in devising a regressive, flat-rate tax whose unworthy purpose is to dissuade the beneficiaries of local expenditure from voting Labour.

This costly rescue operation will be given added impetus by the Conservatives' loss of Mid-Staffordshire, a formerly safe seat, on Thursday. The voting pattern, repeated nationally at a general election, would produce a Labour Government with a suffocating majority. You can usually write off such mid-term by-election upsets as just that. They are celebrated occasions for the expression of discontent. This one is different because it demonstrates, quite convincingly, that the Labour Party is no longer off-putting to middle-class and affluent working

Tuesday was Scottish Outrage Night; Wednesday was English Explanation Day

class electors who before 1987 might have turned to the Liberal Democrats or other centre parties as a vehicle for protest.

The upshot is that Mr Kinnock and his party may become the beneficiaries of the exhilarating momentum once enjoyed by the Alliance after by-election victories. It is easier to believe that today's Labour party will win the next general election than it was that the Alliance would win when it was doing well before the 1983 and 1987 elections. If you meet Labour spokesmen these days they do not have the downcast, all-is-lost look of a year or so ago. Mr John Prescott, Transport spokesman, addresses you in a manner that is positively ministerial; the demeanour of Mr Bryan Gould, Environment, is that of a man who has just stepped out of an official car. The Campaigns Co-ordinator, Mr Jack Cunningham, is emerging as a new, perhaps rather dour, star of the TV screens and a man to be reckoned with in the party's back-rooms. Mr Kinnock himself has acquired stature. All of this feeds on itself. Some of the "big mo," as President Bush calls it, may therefore stick.

Since the poll tax was the single most important force in driving some of Mid-Staffordshire's Tory voters straight to Labour, the Government will have to do something about it. That is more easily said than accomplished. The community charge was described by the Prime Minister, in the long-ago days of post-1987 hubris, as the flagship of her administration. She cannot face the prospect of abolishing it. Approaching a senior minister this week I suggested that members of the Cabinet seemed to be destined to go down with that flagship, tied to its mast. He would not put it in quite those words, came the reply.

Of course, not all ministers are as despondent as that, nor need they be. To take one outstanding example, the Chancellor of the Exchequer, Mr John Major, believes that a summer of further bad news will be followed by a fall in inflation, starting in September or October. He thinks that the drop will be quite rapid after that, and steep enough to allow for a late-1991 election, which the Conservatives would then win. He has to believe this, in spite of his healthy scepticism when it comes to all Treasury forecasts, because the reasoning behind his Budget depends on it.

It is the most political Budget for many years. Its principal purpose is to boost morale in the Conservative Party. Mr Major argues that a severe Budget – one that added £5bn or so of new taxation – might well have tipped the country into a recession. Voters already protesting about the poll tax, the high mortgage rate and inflation in general would then be even less likely to support the Conservatives. This prospect would have been received very badly by the party. The belief that Labour is on the way in would have been strengthened, with the consequence being even greater damage to market sentiment.

Labour spokesmen these days do not have the downcast, all-is-lost look of a year or so ago

The initially adverse reaction of the City to his do-nothing-drastic Budget does not invalidate this argument, in the Chancellor's view. The markets would have drawn even worse conclusions from a draconian strategy. People would have said that the Government was boxed in on interest rates and therefore obliged to take the hair-shirt option. In any case, a surplus of £7bn this year, followed by a projected £7bn next year, is pretty tight if you believe that the slowdown has already begun (and if you believe that not too much of the £7bn will be squandered on poll-tax bribes).

I have some sympathy for the Chancellor at this point in his rationale. He could have advertised £10bn as next year's public sector debt repayment with just as much ease as £7bn, and with no less honesty. PSDR forecasts are notoriously unreliable. More to the point, he is correct to argue that all previous governments have changed course at precisely the wrong time in the economic cycle, thus reinforcing incipient booms, and deepening approaching slowdowns. His best option was to take a gut-feel gamble on his assumption that the slowdown has begun; this choice happens to fit with his personal analysis of the politics of the occasion.

All the rest follows naturally. If your purpose is to keep the troops happy while waiting for things to get better, feed them with a smorgasbord of goodies including plenty for the small saver, such as the abolition of composite rate tax, and the ingenious tax-exempt special savings accounts, Tessas. Mr Major personally supervised the laying out of these snacks and savouries, chosen from a large stockroom maintained by the Treasury. He invented the Tessa acronym himself; it was originally "Contessa," the first syllable standing for "contract," but this did not seem very saleable. They even debated the marketability of "small" as opposed to "special" savings accounts. Many people helped by Mr Major's bits and pieces are on low incomes. This shows a genuine caring streak in his character – and also coincides with the Conservative need to recover the blue-collar vote.

This endeavour will gain no reward if inflation is not brought down. Here we come to that recurring theme, the timing of the entry of Britain into the exchange rate mechanism of the European Monetary System. It is not easy to fathom the relative strengths of Mrs Thatcher and her ministers, particularly over this issue which still divides the Cabinet – even though it is not debated there. Mr Major's view is that if – when – inflation falls as predicted, the case for entry will be made. It will then be necessary to persuade the Prime Minister. The Chancellor believes that there will be a bumpy ride for the British economy in the months immediately after entry; to my mind that might rule out a date before the next election.

Outsiders have for some time speculated that if Mr Douglas Hurd, the Foreign Secretary, were to join forces with Mr Major to press the case, the Prime Minister, who still instinctively mistrusts the ERM, would be forced to give way. I do not believe that either Mr Hurd or Mr Major would try anything so clumsy, or expect to move the Prime Minister if they did – but after this week's performance by the far less weighty Mr Rifkind, that belief is beginning to waver.

All of this assumes that somehow the Conservative Party is calmed down, and that there are no presently unforseen examples of pig-headedness in the pipeline. It is a large assumption, since the Prime Minister does seem to have lost some of her previously uncanny ability to tune directly in to what ordinary people want. This is hardly surprising as she appears to have no close confidants other than those on her own staff.

She conducts debates in a series of rather formal cabinet committees, with hers still the dominant voice. Ministers are often exhausted – one told me the other day that a combination of constituency work, appearances in the Commons and the famous red boxes of civil service papers to work on at night was exacerbated in this Government by the activist intent with which Mrs Thatcher imbued all her colleagues. Even the wisest among us are liable to make a hash of our jobs when we are, quite simply, worn out. If the Prime Minister is to get her Government out of the present mess, which she yet may, she must not only restore the spirits of her party, she must also start listening to her colleagues.

MEN IN THE NEWS

Paul Keating and John Hewson

Spirited jousting amid a scripted contest

By Chris Sherwell

What do you need to be Treasurer of Australia? A grasp of economics, to be sure. Conviction and ambition, certainly. Fluency, toughness and resilience, most definitely. One local advertising agency, asked by a magazine last year how it would beef up the unpopular Mr Paul Keating, the Labor Government Treasurer, came up with a novel attribute.

Beneath a prominent caption it asked rhetorically: "What does it take to serve as Treasurer these days?", and answered with a close-up colour photograph of . . . two tennis balls.

Today, voters decide between the Labor Government of Prime Minister Bob Hawke and the opposition Liberal-National coalition headed by Mr Andrew Peacock. But they will really be deciding whether to give the aggressive Mr Keating – who has managed the Australian economy since Labor came to power in 1983 – another three years in the job, or hand it to his relatively unknown but no less assertive opposition "shadow", Dr John Hewson.

Indeed, because Australia's faltering economy has been the dominant electoral issue in five weeks of intense campaigning, the swordplay between the feisty Mr Keating and incisive Dr Hewson has been far more illuminating than the dour presidential duel between a scripted Mr Hawke and programmed Mr Peacock.

True, Mr Keating and Dr Hewson have readily stooped to easy promises and pork-barrel hand-outs. But the intellectual weight of their main arguments, buttressed by the character and background of the two men themselves, has made their battle the most intriguing aspect of an otherwise disappointing campaign.

Their similarities are surprising. Born within three years of each other – Mr Keating is 46, Dr Hewson 43 – they both come from working-class backgrounds in the Sydney suburbs and have risen meteorically. Both are men of style – liking elegant suits and fine things (in Mr Keating's case antique clocks, in Dr Hewson's, classic cars). They enjoy power and influence, and an intellectual joust. They are also intensely ambitious.

Their differences are no less remarkable. Mr Keating left school at 15, quickly became a Labor activist, reached parliament 21 years ago and under Gough Whitlam became one of Labor's youngest-ever ministers. A shrewd tactician of sharp tongue and quick wit, he learned from the mistakes of that time and, as Treasurer after 1983, wrought a revolution by deregulating banking, floating the dollar and removing exchange controls.

But the core of his strategy has been his "Accord" with the trade union movement to contain wages, improve profits for business and encourage investment and jobs.

For this he has depended on a friendship with Mr Bill Kelty, secretary of the Australian Council of Trade Unions, and a beguiling personal charm. Without doubt he is the government's driving ideological and economic force.

Dr Hewson, by contrast, has three degrees, has worked as an economist for the IMF and the Reserve Bank of Australia and advised two Treasurers in the last Liberal-National government. He has also held an economics chair at the University of New South Wales, and a directorship of a Sydney merchant bank. He also once part-owned a smart restaurant.

A self-confessed workaholic, Dr Hewson has a fervent belief in free markets, and a clarity of exposition which matches Mr Keating's.

His chief complaint against Mr Keating is that by concentrating too heavily – and unnecessarily – on monetary policy he has produced a recession. In his view, the only way to ensure a "significant and sustained" fall in interest rates is by bringing down Australia's high inflation rate, and this requires a still tighter fiscal policy and a productivity-based, market-led wages policy.

Dr Hewson is less articulate on the specifics of how the coalition will move towards what he calls this "different world," and it is this that worries undecided voters most, whatever their ideological leanings.

Australian politics being what it is, both Mr Keating and Dr Hewson suffer from their colleagues' instinctive tendency to play the man rather than the issue. Coalition politicians denounce Mr Keating as the "Grim Reaper". Labor politicians deride Dr Hewson as a Ferrari-driving yuppie.

The two men are less insulting to each other, though you might not know it from their most explosive parliamentary confrontation, last October. Dr Hewson was withering, saying Mr Keating had blundered in battle, fired his best shots and found his policy arsenal empty. Mr Keating was a "tragic" figure, he said, "lonely, tortured, humiliated."

Mr Keating gave as good as he got. Dr Hewson was "edgy" and "flaky", and his remarks "the sort of little-boy, stamp-your-feet stuff which comes from a financial yuppie who was shoe-horned into politics" because of the opposition's "absolute absence of talent." Dr Hewson's performance was the limpest he had ever seen, "like being flogged with a warm lettuce."

In the campaign, Mr Keating has tried hard, but with little success, to link Dr Hewson's advisory role to the Liberals in the late 1970s with the economic policy failures of their rule. "Hewson's new to politics, but he's not really new to policy," he says pointedly.

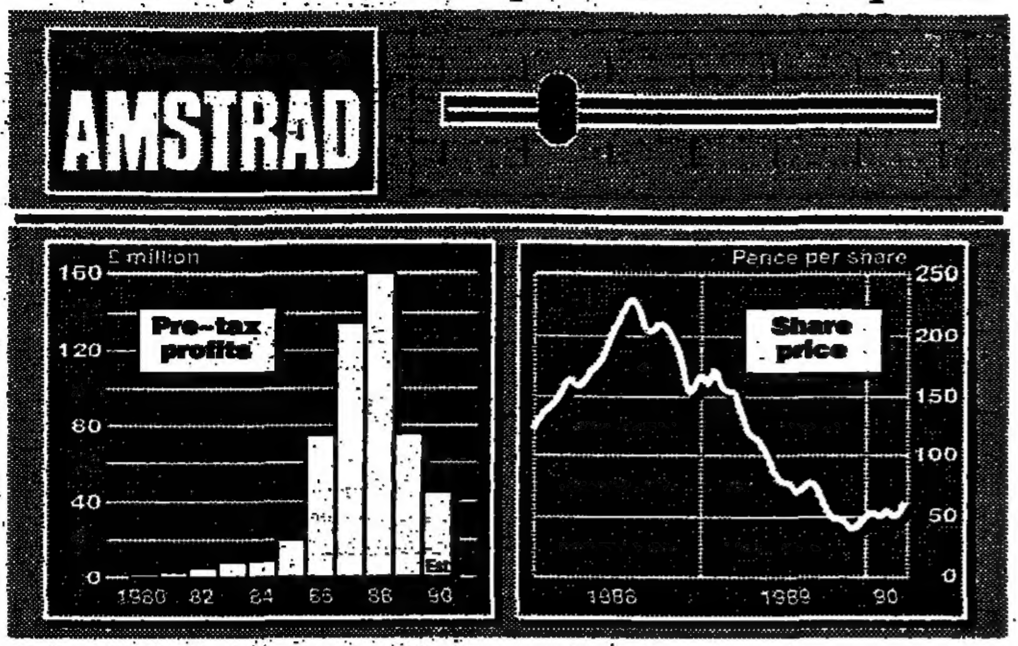
Dr Hewson has given Mr Keating credit for licencing foreign banks and floating the currency. "But he took his eye off the game a few years ago," he said this week, "and started to play politics with monetary policy. Our boom-bust process, the tremendous explosion in spending and imports – he created. The current recession – he created. He takes total responsibility for blowing this country out of the water."

If politics is Australia's bloodsport, elections are its cockfights, and the battle between Mr Keating and Dr Hewson has been one of the toughest. By most analysts' reckoning, if voters spurn Labor, it will not only bring in a new Treasurer, it will signal the end of Mr Keating's ambitions to become Prime Minister.

But if they reject the coalition, Dr Hewson has a chance of becoming opposition leader, with every prospect of the Prime Ministership next time around.

Aiming for top of second league

Amstrad chairman Alan Sugar is bouncing back from last year's crisis, reports Michael Skapinker



Amstrad, the British computer company, this week kicked off what Mr Alan Sugar, its chairman, has promised will be a year of making money.

With the launch of two new laptop computers and an unobtrusive satellite dish, Amstrad hopes to leave behind its worst crisis since it was floated nearly 10 years ago.

Mr Sugar, who owns 44 per cent of Amstrad, maintained a brave face as his profits plunged by more than half to £76.6m last year. He now admits, however, that "there was a period when I was very nervous."

With other 1980s entrepreneurial heroes like the Saatchi brothers and Ms Sophie Mirman, the chairman of Sock Shop, falling on hard times, many wondered whether Mr Sugar might not be far behind.

Although Amstrad has made progress – reducing unsold stocks by about a third – the City remains unimpressed. This week, Amstrad's shares traded at around 60p, against their 1988 high of 234½p.

By contrast, during its first nine years as a public company, Amstrad hardly put a foot wrong. In 1980, Amstrad's pre-tax profits were £1.4m. By 1988, they had risen to £160.4m. In 1986 Mr Sugar boasted that Amstrad would one day be as big as Sony. This year's profits are expected to be about £45m.

Mr Sugar says he has a clear idea of what went wrong. As Amstrad grew, it failed to develop adequate controls. Last year it was forced to recall 7,000 of its computers after faults appeared. Other companies have had to recall products, but none of their chairmen had previously boasted – as Mr Sugar did in 1987 – that if outsiders "saw the risks we take in engineering a new product they would have kittens." By his own admission, Amstrad did not have adequate quality control.

The same lack of control was evident in Amstrad's management of its Spanish subsidiary. A little over two years ago, Amstrad bought its Spanish distributor and appointed Mr Jose Luis Dominguez, its founder, to the board. Last October, however, Mr Dominguez resigned. Although the Spanish company's sales were booming, so were its expenses. "We didn't have the analysis in place to know that they were spending more than they were selling," Mr Sugar says.

Mr Sugar says that he has learned his lesson. He has recruited new finance and manufacturing directors. He also boasts that Amstrad now has a proper system of quality control. He says, Amstrad is going back to what it does best: dreaming up products and marketing them – leaving others to do the manufacturing. It has closed its printer factory in Hong Kong and its audio plant in Essex.

But some wonder whether Amstrad really is getting back to the formula which served it so well in the past. Mr Sugar's strength always appeared to be his intuitive understanding of the needs of the average consumer. One of Amstrad's most successful products, its word processor, grew out of the company's conviction that buyers wanted an uncomplicated screen-based typewriter rather than an advanced computer.

After its success with the word processor, Amstrad attempted to enter the higher-end business market – with some unhappy results. Among its pile of unsold goods are two years' stocks of its top of the range PC2386 personal computer.

Mr Paul Norris, of Barclays de Zoete Wedd, says that "Amstrad should stick to its knitting, which is the small business and home market. Sugar is better at putting himself in the shoes of the consumer than of the corporate customer."

Mr Sugar himself said three years ago that Amstrad would stay at the lower end of the market. Some at the corporate end of the consumer business think he should have taken his own advice.

"They're not focused enough on the corporate effort," says a senior executive with a big UK financial services company. "If a company like Amstrad wants to sell to corporate customers, it has to build credibility over a long period. It's different from selling in the High Street. Yet I don't think Amstrad have been in to see us more than once or twice."

'I consider all our products to be consumer products, quite frankly'

A computer dealer selling to companies in the South of England says: "I see absolutely nothing of them. A few years ago with their first PC they really scared IBM and Compaq. But they blew it." Amstrad advertising, he says, did not focus sufficiently on the needs of the corporate buyer.

Mr Norris says there are solid reasons why Amstrad should concentrate on the home and small business market. About 25 per cent of personal computers sold in the UK go into the home and there is considerable scope for growth. While 5 per cent of American households own personal computers, only about 2 per cent in Britain do. The proportion in other European countries is probably even lower.

Mr Malcolm Miller, Amstrad's group sales and marketing director, dismisses the suggestion that Amstrad should concentrate all its energies on the home market. "If we thought like that we'd be making food mixers," he said. As larger numbers of managers make use of computers, there will be increasing scope for Amstrad to sell its machines, he says. "In time, there's going to be a PC on everybody's desk and not everybody's going to buy the most expensive one. Senior executives drive BMWs and Jaguars, but managers lower down drive Cavaliers."

Such questions are, in any event, of greater interest to journalists and business academics than to the company itself. Amstrad executives spend little time on theoretical discussion. The company is, above all, opportunistic, selling wherever it sees a gap in the market and withdrawing when margins become too small. "I consider all our products to be consumer products, quite frankly," Mr Sugar says.

The sale of TV satellite equipment is a consumer market that Amstrad moved quickly to exploit. Although Mr Rupert Murdoch's Sky Television has incurred large losses, Amstrad has benefitted handsomely from Sky's promotion of satellite dishes. Mr Miller says that Amstrad sold 670,000 dishes in the last year, many to Sky. Amstrad expects high sales of satellite dishes in Germany this year, where four Astra channels have recently become available.

"How many consumer companies could have moved that quickly into the satellite market and sold as many as we have?" he boasts. "And this is a product that sells for £200. It's not a Mars bar."

Although Mr Sugar's ambition to be as big as Sony now looks improbable, an executive with one European electronics company says he can see Amstrad "becoming a company at the top of the European second division."

Clearly, Mr Sugar has survived his greatest setback. And he has done so at a time of crisis not only for other British highflyers, but also for other European computer companies. Nixdorf of Germany is about to be swallowed up by Siemens after incurring losses. Norsk Data of Norway is in the red and Groupe Bull of France is expected to record a net loss for 1989. Mr Sugar points out that in spite of his stock reduction campaign – much of it achieved through cost cutting – Amstrad is still making money.

Although the company has yet to make an impression on the US market, it has a healthy geographical spread, with only 40.5 per cent of its 1989 revenues coming from the UK. In spite of his reputation of being abrasive, Mr Sugar is quick to recognise what he does not know and to surround himself with managers who do.

He has promised a new product every month from now on. His success this year and next will depend on how many of these capture the public imagination. It will also depend on whether he can avoid any other managerial booby traps of which the City – and he – are still unaware.

Antony Thorncroft looks back on the misfortunes of the Van Gogh masterpiece

Mr Bond gets rid of his 'Irises'

At last the sorry saga is over. Van Gogh's "Irises", the most expensive artwork ever sold at auction, has found a permanent and respectable home in the Getty Museum, California. The misfortunes of this masterpiece will live on as a case history on how not to invest in art. They have certainly taught Sotheby's a lesson it will long remember.

The atmosphere was not like this when the hammer came down in New York on November 11 1987, with the Australian businessman Mr Alan Bond paying $53.9m to become the new owner of "Irises." The art market was ecstatic, for the sale seemed to dispel doubts stemming from the stock market Black Monday of the previous month.

Sotheby's had been worried that a similar fall in investor confidence would infect the booming art market. New York's autumn Impressionist and Modern picture sale is always a key date in the auction calendar and a significant contributor to Sotheby's annual earnings.

The saleroom pulled out all the stops, trailing "Irises" around the world and sounding out in advance the handful of prospective buyers for a picture it had estimated to be worth around $20m. Alan Bond was high on the target list. He had been the under-bidder six months earlier when Christie's had sold another painting by van Gogh, "Sunflowers," in London for the then record price of £24.3m, and he was known as a keen collector of Impressionist (and Australian) pictures. He was also, at least on paper, very rich.

Alan Bond confirmed that he was interested in buying "Irises" and Sotheby's encouraged him by offering credit terms. He only had to come up with half the hammer price on the spot, paying off the remainder over five years. Such a device is rarely used: Sotheby's claims it has offered it only five times, all on works estimated at more than $1m. The painting was to act as collateral on the loan.

The practice raises some pointed questions. If the auctioneer knew that there was a well-stuffed potential bidder in the rooms, it would make the fixing of the reserve price on the lot much easier. Sotheby's maintains that there are "Chinese walls" between its financial advisers and the auctioneer keeping the book. But when knowledge of the deal came out there was uproar.

The sale of "Irises" at a record price seemed so propitious, confirming, as it seemed, the strength of the art market at a delicate moment. Amid gossip suggesting that there was no genuine under-bidder to Mr Bond, Sotheby's took the

unprecedented step of opening the book on the sale to Lord Carrington, chairman of arch rival Christie's. He was satisfied. But in January Sotheby's announced it would no longer offer loans using an auctioned work of art as collateral.

It was not so much the rumours of sharp practice but the mess that Sotheby's had fallen into over "Irises" that prompted the change of heart.

Almost immediately after the auction Mr Bond's business affairs went into decline. He meticulously paid off the interest on his loan but made little impression on the actual debt. Meanwhile creditors were hounding him. If he were to be declared bankrupt Sotheby's, which never gave up title to "Irises" and kept it locked away in a Swiss bank vault, would be left holding a painting that it would not be able to auction except at a price so low as to puncture art market confidence.

So Alan Bond, with Sotheby's help, set about finding a private buyer. He wanted bids around $65m. Although there were many enquiries, especially from Japan, potential buyers believed that if they held off the price would fall. Gradually "Irises" began to be seen as an unlucky picture. Signs of trouble in the Japanese stock market seemed to close off this avenue of escape.

Enter the Getty, the world's best endowed museum. Thanks to the bequest of oil tycoon John Paul Getty it has well over $100m a year to spend, and in the past year it has been the buyer of many of the most expensive paintings sold at auction. Last May it paid $35.2m for a portrait of a Medici prince by Pontormo, a record for an Old Master, and last November it acquired a Parisian street scene by Manet for $26.4m. "Irises" was a natural target with the museum's recent emphasis on collecting Impressionist and post-Impressionist paintings.

How much it paid for "Irises" is a closely-guarded secret. It is probably something between $50m and $55m, which means that, if you add the interest, Mr Bond lost money on the most expensive picture in the world. But he has smoothed its way into a public collection and Sotheby's has put behind it an unhappy period just before it confronts one of its biggest challenges.

On May 16 in New York it is offering Renoir's "Au Moulin de la Galette", the famous painting of young revellers in a Montmartre dance hall. It carries a $50m estimate but is a more celebrated, more colourful, more popular painting than "Irises" and should set a new world art record. It is the centrepiece of an art auction which will once again test the strength of the international art market.

LETTERS

Tax incentives and the working mother

From Miss H.I. Thomas.

Sir, Your editorial comment ("Two Major temptations," March 19) suggests that the introduction of tax relief for child care would be a disgrace.

Why does the writer favour any alternative fiscal device which "would not bias the mother's choice between work and home?" Surely, demographic trends and the plight of many single mothers make it appropriate to encourage mothers to return to work.

Having criticised tax relief as benefiting the already better-off, why is it sensible to recommend a big increase in child benefit, an indiscriminate payment which would have to be 10 times its present value to amount to a serious contribution to child care costs?

Where is it possible to employ a nanny for £6,000 a year? In central London, nannies who live out earn about £11,500 a year excluding transport and other costs. The cost to the "lucky" 40 per cent tax payer is therefore close to £20,000 of gross income. Live-in nannies earn less, but accommodation must be available.

If it is Government policy to ease labour shortages by providing mothers with the opportunity to return to work, then it is sensible and appropriate to introduce fiscal incentives both directly to the mothers and in the provision of nursery facilities. It is only in this way that mothers who are less well off will have any choice about returning to work.

In the meantime, the attitude displayed in your comment will ensure that those of us who have access to good child care remain the very lucky few. Given the dismissive reference to "feminist rhetoric," perhaps that is what your leader writer would like.

H. I. Thomas,
10 Shrubland Road, E8

The joy of operating alone

From Mr Ronald E. Parsons.

Sir, Mr Dermot Bradley, the Berkshire businessman described by Roy Hodson ("Machiavelli brings in the deals," Weekend FT March 17), is on to something which some few of us profit by – we operate alone.

I am a lawyer with a highly specialised practice which I conduct alone. I treasure my independence, my capacity to make decisions and carry them out and my ability to turn out work without having to send it through employees.

Mr Hodson says most people in business feel a need for helpers. I don't feel that way. When away I stay in touch with an answering service. I give daily legal advice to clients in the US by pay telephone from the high streets of England and the beaches of the Bahamas.

I would not trade my independence for the elevated status of any governmental or corporate executive.

Ronald Edwin Parsons,
Suite 325-8,
15444 Clayton Road,
Ballwin, Missouri

Mr Major and direct mail

From Mr Tylan Bahcheli.

Sir, I take issue with the Chancellor over his remarks concerning the use of direct mail advertising by financial institutions offering credit in the form of personal loans.

There seem to be gross misconceptions on the part of Mr Major and those who criticise the use of direct mail for marketing financial products and services.

It is stating the obvious to call on the banks and financial institutions to be selective when offering credit. They already are. We should know, as we supply many with selective mailing lists. The need to be selective and prudent when offering credit is one of the prime considerations of any lender. If an applicant who responds to a bank's or building society's mailing is not credit-worthy, deemed unable to fulfil repayment commitments and has no collateral, he/she is likely to be turned down, politely.

Secondly, the Chancellor, by criticising the banks, is doing discredit to the very concept of Tory philosophy – the twin pillars of being able to trade freely, and in a free economy. Money is like any other commodity – to be bought and sold, with the demand or the lack of it, depending on the free market conditions prevailing at any time.

During the last few years, it has been fashionable to expect the education or, indeed, financial protection, of the consumer to be undertaken by the financial industry. We have, in this country, numerous consumer protection laws that do just that, without making it even more onerous for industry, financial or otherwise, to operate. If we are to trade in a free economy, the freedom must be real.

Tylan Bahcheli,
Chairman,
Dudley Jenkins Group,
Axe and Bottle Court,
70 Newcomen Street, SE1

Ulster's sustained revival

From Mr E. Philip Keers.

Sir, Thankfully I am not involved in the tourist industry in Northern Ireland, for Christina Lamb's article ("Tin hats and Guinness," Weekend FT March 17) will have done nothing for business prospects in 1990.

As a native Ulsterman now living and working in Glasgow, I experience only too often the false impressions of Northern Ireland that such an article leaves upon the minds of mainland Britons. Instead of attempting the much greater journalistic challenge of altering people's preconceived visions of the province, Ms Lamb, in all but two paragraphs, portrays the all too common image of a war-torn ghetto under martial law.

Fortunately, Northern Ireland, and in particular Belfast, is not as Ms Lamb would have us believe. The 1980s has been a decade of sustained revival for the province, both socially and economically. A stroll round Belfast's city centre will demonstrate this to anyone.

E. Philip Keers,
23 Huntley Gardens,
Hillhead,
Glasgow

Rates, land and the farmer

From Mr C. Oliver-Bellasis.

Sir, Mrs J.R. Chamberlain misunderstands the rates system (Letters, March 17). Nobody was rated on the basis of their raw material and to a farmer land is just that.

Mrs Chamberlain's remedy is to put in a notice of objection to her new rateable value and there are many good rating surveyors she can contact.

However, as a hotel proprietor she is in the fortunate position of being able to charge a little more on the room tariff per night. Farmers, on the other hand, are probably looking towards lower grain prices in real terms this year, and the livestock sector is faring little better.

C. Oliver-Bellasis,
Brooklands,
48 Newbury Street,
Wantage, Oxfordshire

A judgment

From Mr David Crosfield.

Sir, Mr Peter Knight ("Sounding the car alarm," Weekend FT March 17) outlines means of preventing thefts of car radios. I hope these thefts do not take place, but only just, as I am disturbed every day by car radios turned up with the windows open. If these car radios are stolen it is a judgment on their owners for polluting the atmosphere.

Some alarms seem to ring wolf at every possible opportunity for the "fun" of it. Surely it is common sense to have an alarm which rings only if the car is attacked.

David Crosfield,
43 Holcroft Court,
Clipstone Street, W1

Railways development: fallacies about costs and the application of subsidies

From Mr David Sawers.

Sir, Mr Schimmelpfennig (Letters, March 14) manages to pack a remarkable number of fallacies into a short letter.

First, he appears to believe that the running costs of a railway represent its marginal costs; the relevant marginal costs for pricing purposes are the long-run marginal costs, which include the capital expenditure required to vary the output of the railway.

Secondly, he suggests that a large part of the costs of a railway will not vary with its output, so that average costs will fall as output increases. In fact, few of a railway's costs will be unaffected by changes in output. In the long term, capacity will be altered to match changes in output.

Increases in output will require investment in additional rolling stock, improved signalling systems, bigger stations and, ultimately, more track; long-run marginal costs will then approximate to total costs. Falling output leads to reductions in rolling stock, use of simpler signalling systems, closure of stations and reductions in track.

Costs on a railway are, therefore, likely to fall with small increases in output, but to correspond increasingly closely to increases in output as the size of these increases grows. At a time when large increases in traffic are being contemplated in Europe, it seems strange that anyone should argue that many costs are fixed.

Mr Schimmelpfennig argues that, because a railway will run at a loss if it charges marginal cost, it should be subsidised by the state. He does not consider the welfare implications of raising funds to pay a subsidy through taxation, but the welfare of taxpayers will be reduced if they pay more tax and there may be implications for efficiency as well.

The pricing rule that economists advocate for natural monopolies is the inverse elasticity rule, first stated by Frank Ramsey in 1927 and rediscovered by William Baumol and David Bradford in 1970. Any fixed costs are charged to the buyers who show the lowest price-elasticity of demand, because their welfare will suffer least from paying more than marginal cost. In so far as a railway does carry any fixed costs, the use of this pricing rule is preferable to subsidy.

Considerations of welfare and equity imply that subsidies are only justifiable if they produce benefits to the community as a whole, not just to the consumers of the subsidised service. The circumstances in which such subsidies are justifiable are likely to seem fewer whenever a long-term view of the situation is taken. A myopic view, like that of Mr Schimmelpfennig, benefits neither efficiency nor welfare.

David Sawers,
Crosby,
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton, West Sussex

UK COMPANY NEWS

Schweppes in soft drinks discussions with Perrier

By Clay Harris

CADBURY SCHWEPPES, the confectionery and drinks company, is discussing the possible purchase of part of the soft drinks business of Source Perrier, the French mineral water group.

The UK company confirmed the talks last night after a statement from Perrier. Cadbury said it would fund any deal by borrowing and would not issue any ordinary shares.

Perrier has been trying to sell its soft drinks business since last autumn, when Pepsi Cola served notice that it would end a 27-year franchise agreement with the French company.

Schweppes and Perrier together account for 16 per cent of the French soft drinks market, equal to Pernod Ricard. They both trail Coca-Cola, with a share approaching 27 per cent.

Although it gave no details of which parts or how much of the Perrier business it was seeking, Schweppes has been concentrating on building up its brands portfolio, with the acquisitions of Canada Dry and Crush in recent years.

Perrier's soft drinks division, accounted for FFr1.15bn (£125m) of the French group's FFr15.15bn turnover in 1988. Its main soft drinks brands include Oasis, Pschitt and Bali and it now produces Gini under franchise from Schweppes.

Mr Carl Short of Kitcat & Aitken said: "Without seeing the deal, it's impossible to say much except that the strategy seems to be in the right direction." Perrier's soft drinks business as a whole could be worth up to £200m, he said.

Mr Michael Landymore of Henderson Crosthwaite said the move made sense for Perrier. "Without Pepsi, they don't have critical mass," he said. Coca Cola's rivals in the French market are preparing for increased competition once the US company's huge Dunkerque bottling plant comes on stream.

"The big As are availability, acceptability and affordability, so price is a big factor," Mr Landymore said.

Schweppes and Perrier each has two plants in France.

Mr Short suggested that Schweppes would eventually move closer to Coca Cola in France, perhaps even taking on some of the US company's bottling. The two groups have a joint soft drinks distribution operation in the UK.

See Lex

Sharp rise in net assets at Laing Properties to £1.1bn

By Nikki Tait

THE GLOVES finally came off in the £441m bid battle over Laing Properties, as the defending camp yesterday unveiled a sharp increase in the valuation of its property portfolio last year, and promised a 20 per cent dividend increase for 1989 and 1990.

Laing said that its properties had been independently valued, on a current realisable open market value, at £1.09bn, giving a net asset value of 910p per share.

The figure was struck at end-February, rather than the normal calendar year-end.

This 910p-per-share calculation, however, includes a figure of £45.4m for the surplus on current developments and sites – not something normally included in the company's annual net asset valuation.

With that sum excluded, the asset valuation drops to 843p per share. However, this still represents a sharp increase on the comparable 644p recorded at end-1988. The bidder, Pall Mall Properties, is currently offering 650p per share in cash.

News of the Laing valuation brought a mixed reaction from the dwindling band of analysts who are not aligned to either the bidding or defending camp.

One suggested that the sharp increase over the 14-month period would meet with scepticism in the City, particuarly given the difficult conditions in the UK property market.

Others felt that Laing had given investors good grounds for sticking with the company, unless Pall Mall raised its offer very substantially. About 40 per cent of Laing's shares are held by family and charitable trusts.

Pall Mall – a vehicle for a joint bid from Penninsular & Oriental Steam Navigation and Mr Elliott Bernerd's privately-owned Chelsfield group – declined to make any formal comment on Laing's announcement. It now has a week in which to decide whether it wants to increase its offer. Pall Mall claimed this week to control around 23.1 per cent of Laing's ordinary shares.

Laing accompanied its asset valuation figure with news of pre-tax profits up 18 per cent at £27.8m in 1989. It said that it would pay a final dividend of 7.3p – up 27 per cent on the final payout for 1988. This raises the total dividend for 1989 by 20 per cent, and Laing promised a similar increase for 1990.

Laing said that if the portfolio was sold, the capital gains tax liability, plus the repayment of capital and similar allowances, would be £141m, or 207p per share.

However, it argued that the structure of the Pall Mall offer means the bidder "could avoid crystallising a substantial proportion of this liability".

Laing shares gained 10p at 683p.

See Lex

Battle lines are drawn in the playground

Paul Cheeseright takes a look at the property sector and future realignments within it

THE BATTLE for Laing Properties has begun in earnest. And it is the classic struggle for a property company.

It pitches the prospect of a short-term gain against the hope of a long-term advantage.

Given the 40 per cent presence of Laing family trusts in the equity holdings of the company, this contrast of expectations is also a test of how the trustees, and their professional advisers, construe their fiduciary duty.

In the background is a gloomy stock market which has turned its back on property companies, perturbed about sliding returns and worried about high gearing.

With Laing's declaration yesterday of an all-in valuation of net assets per share at 910p, set against the hostile offer of 650p-per-share from P&O and Chelsfield in their joint venture company, Pall Mall Properties, shareholders can now start to calculate where their interests lie.

They know from the latest Laing defence document that dividends are being raised 20 per cent for 1989. They will have read the projection of a 51 per cent increase in rental income over the next five years.

They have to set these omens for the future against the vagaries of the market. What they do not know, although they may guess, is the reaction of the Laing share price if the P&O-Chelsfield is permitted to lapse.

While the market price of most property companies recently has been hovering just above the 1989-90 low, that of Laing has been at its 1989-90 high.

There are parallels here with the situation of Hammerson just over a year ago when it was on the receiving end of a hostile bid from Rodamco, the Dutch fund.

In its final form that bid was worth 970p for each Hammerson 'A' share. But after the bid lapsed, the Hammerson 'A' price went down to 720p, recovered later in the year and then fell back again in line with the rest of the market.

The parallel with Hammerson is relevant to the extent that both it and Laing have international property portfolios.

Just as Mr Brian Chilver, the Laing chairman, yesterday was stressing the uplift in the value of its Canadian properties, so Hammerson stressed the potential growth of its Canadian assets.

Yet the approach of the two companies has been different.

Hammerson specialised in a few highly valued assets. Laing has more properties of lower value.

While Hammerson at the time of its bid struggle was widely seen as a group which had lost its verve, Laing has, over the last three years, become more aggressive, more highly geared: it may have been sleepy in 1985, but it is not now.

In both cases though, the attraction to the predator is the same.

It is the diversity of assets which means that incomes and values may rise in one country to offset declines in another. It is significant that, with the property share market in the doldrums, Hammerson is being recommended by brokers simply because the more that sterling wobbles, the more its access to foreign currency earnings looks alluring.

Yet if stock market weakness at the end of 1988 and the start of 1989 opened up the possibility of a cheap bid for Hammerson, then the window is gaping wide now.

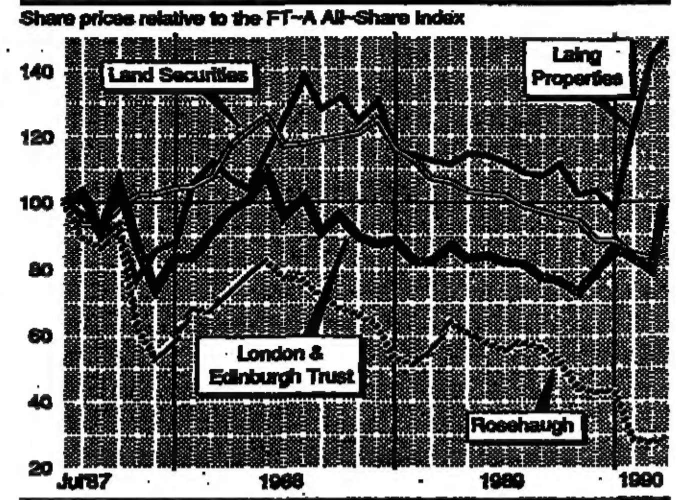
Hammerson yesterday was trading at a discount of 40.1 per cent to the UBS Phillips & Drew estimate of its current net asset value.

But Land Securities, the sector leader without the apparent attraction of overseas assets, was on a discount of 47.4 per cent.

The very cheapness of property stocks is making the equity market a playground for takeover bids.

And there has been little discrimination in the market's treatment between asset-strong groups like Land Securities with its virtually unstoppable revenue stream and asset-building groups like Rosehaugh with a faulty cashflow, heavy debts and a subsequent need for a one-for-one rights issue at a knockdown price.

Share prices relative to the FT-A All-Share Index



All prices have been consistently pushed down and the property share sector since last year, and by contrast with 1988, has underperformed the rest of the equity market.

When, on Thursday, London & Edinburgh Trust, a hybrid of assets and development prospects at home and abroad, disclosed it was in takeover talks, it was on a price-earnings ratio of 7.6.

That, in the current market, is relatively high for development companies.

Notwithstanding the special circumstances of the Laing bid, which has its origins in the steady build-up of a stake by Chelsfield, it is likely to be the precursor of others. Laing argues that its gearing is well under control. London & Edinburgh Trust says the same.

Future bids, rather, will involve the heavily indebted companies as they seek relief through mergers.

High interest rates, a greater availability of space and the uncertainty of companies contemplating expansion in the present economic climate have slowed down the market. This is forcing the property sector into a period of realignment. Laing is caught at the front of this process.

Exchequer levy reduction helps Central edge ahead to £27m

By David Owen

A SHARP reduction in the level of exchequer levy payments has enabled Central Independent Television, the IBA contractor for the Midlands, to report marginally improved full-year profits in spite of a higher-than-expected exceptional charge and rising programme costs.

The £4.8m charge was incurred as a result of rationalisation which has seen staff levels fall from 2,007 at the beginning of 1988 to 1,545 at the year-end.

"The numbers were not going down quickly enough so we provided more money to persuade people to leave", said Mr Leslie Hill, managing director, explaining why the figure exceeded the "over £2.2m" projected at the interim stage. The average payment was something like £20,000, he added.

Alan Harper

Leslie Hill: provided more money to persuade people to leave

In all, pre-tax profits for 1989 edged ahead from £26.53m to £27.02m. Turnover improved 21 per cent to £320.1m (£264.2m). About half of this increment was attributable to a previously announced change in accounting procedures for network programme sales.

The exchequer levy tumbled by 62 per cent to £5.6m (£14.77m). This was attributed principally to a delay in the transmission of two major projects which meant that the costs associated with them were written off a year later than anticipated.

This source of relief will be very much a one-off occurrence since Central faces an additional bill of £12m to £14m in the current year stemming directly from the new levy regime. Mr Hill said the company was confident that savings implemented during 1989 would offset that increased expense, however.

The rise in programme costs was partly due to the higher proportion of programming that Central bought from independent producers.

All told, the group's profit before the levy was down almost 12 per cent at £37.42m.

The Birmingham-based company benefited below the line from a £5.4m extraordinary gain comprising some £15m of profit from the sale of shares in Independent Television Publications less the cost of closing its airtime sales division.

This closure was permitted by the formation of Television Sales and Marketing Services, a joint sales company set up with Anglia Television.

Looking ahead, Mr Hill said he did not anticipate any real growth in advertising revenues in 1990, following a decline in the first quarter. In 1989, advertising revenue rose 7 per cent to £233m, with the group's market share remaining steady at 14.4 per cent.

Earnings were 64.2p (64.1p). A final dividend of 21p was recommended making a total of 28.5p (25.5p).

The shares fell 6p to 753p.

Ratners change signals shift of strategy

By Maggie Urry

RATNERS, the jewellery group, yesterday announced a change in its finance director, signalling a shift in group strategy. Mr Gerald Ratner, the chairman, said that after the flurry of takeovers in recent years, a more detailed approach to controlling the financial side of the business was needed.

Mr Andrew Coppel, who joined the group 3½ years ago and was previously a mergers and acquisitions specialist at Morgan Grenfell, the merchant bank, is leaving. Mr Ratner said Mr Coppel's experience had been valuable over the last few years, but "we both felt it unlikely he would be kept very busy in future," he said.

Mr Coppel is being replaced by Mr Gary O'Brien, who is currently deputy finance director at Burton, the fashion and department store group. While Mr Coppel had no previous retail experience, Mr O'Brien's background is all commercial, largely with consumer goods companies.

Mr Ratner said Mr Coppel's departure was entirely amicable.

Mr Ratner refused to comment on the golden handshake Mr Coppel is expected to receive, which is thought to be still under negotiation. Mr Coppel had a five year rolling contract with the group.

However, since the parting was agreed mutually, outsiders believe any compensation payment is likely to be limited to, perhaps, £200,000.

Mr Coppel will stay with Ratners until the end of April, covering the announcement of annual results due to be released on April 23. Mr O'Brien, who is 40, had already arranged to leave Burton to take up a position at Grand Metropolitan.

Holmes à Court has 6.6% of Really Useful

Mr Robert Holmes à Court confirmed yesterday that he had built up a stake of 6.61 per cent in Mr Andrew Lloyd Webber's stock market vehicle Really Useful Group, writes Andrew Hill.

Mr Lloyd Webber's adviser, Salomon Brothers International, said last night that the stake would prevent the composer mopping up the outstanding minority holding in RUG, which he is trying to take private through a £77.4m recommended offer.

The stake is worth about £5.3m at current market prices, but its value to the Australian financier is less tangible. He is thought unlikely to raise his stake above this level, remaining as a minority shareholder in the hope that Mr Lloyd Webber will agree to buy him out with cash or a transfer of assets. They include the copyrights to Mr Lloyd Webber's most recent musicals.

The shares are held by Stoll Moss Theatres, a subsidiary of the Australian's private vehicle Heytesbury (UK) which owns several West End theatres.

Astra vetoes compensation

By Jane Fuller

ASTRA Holdings, the munitions and fireworks group, has vetoed compensation payments of £500,000 to the ex-chairman and another director associated with last year's purchase of a loss-making Belgian business.

Before the appointment of Mr Roy Barber as non-exective chairman, Mr Gerald James and Mr John Anderson had agreed to resign for payments of £300,000 and £200,000 respectively.

But Mr Barber put out a statement last night which said: "In the light of matters which have now come to the company's attention, I have notified Mr James and Mr Anderson that the company is not now prepared to consider such payments."

An extraordinary general meeting will consider a proposal "to remove Mr James and Mr Anderson as directors of Astra."

This follows the resignation, of chief executive, Mr Christopher Gumbley, without compensation, and of finance director Mr James Miller. Mr Martin Guest has resigned from the board, but stays on as technical manager.

The exodus has been accompanied by a warning from the new management that the group will register a substantial loss for the year ending this month. Astra's share price has slumped to 20p (a market value of £18m) compared with last year's high of 170p.

The group's difficulties stem from two quarters: PRB, the Belgian ammunition components and propellants business acquired in September following a £33m one-for-two rights issue; and a reversal in the performance of its UK operations, which include Astra Defence Systems (formerly BMARC) bought for £32m in May 1988 via a 22-for-25 rights issue.

According to Mr Barber, PRB made a loss of nearly 12m last year, in contrast with the expectation of a £2.3m profit suggested in the rights issue document. It had made a pre-tax loss of more than £12m in 1988.

Astra bought PRB from Gechem, a subsidiary of Société Générale de Belgique for about £1m plus the repayment of more than £20m in debt. Astra is taking legal advice about possible claims against Gechem.

Before that deal the management had brought Astra Defence Systems back to profit. After making a pre-acquisition loss of £2.6m, it made a big contribution to Astra's sharp rise in pre-tax profit to £9.5m for the year to last March, on sales doubled to £96.2m. Astra announced a pre-tax loss of £3.49m for the six months to September 30.

'A' shares rise as Aquascutum faces rift

By David Owen

CLASS A restricted voting shares of Aquascutum soared yesterday as the prospects increased of a battle royal for control of the classic clothing company.

The 'A' shares rose 13p to 133p – just 5p below their 12-month high. The ordinary shares were up 5p at 365p.

The battle will pitch Aquascutum's directors – including Mr Gerald Abrahams, the group's septuagenarian chairman – against Waterfall, a newly-formed company speaking for the holders of 27.2 per cent of the 27m restricted voting shares. Waterfall is headed by Mr Brian Myerson and Mr William Dacombe.

The directors have traditionally controlled Aquascutum through ownership of a majority of its 3.5m ordinary shares. Talks between the two sides broke down on Thursday.

The dissidents are endeavouring fully to enfranchise their 'A' shares, which are currently entitled to vote only on resolutions for a reduction in capital or winding up the company, or on those which modify, abrogate or directly affect their rights.

To achieve this end, they say, they are prepared to bring a special resolution to wind up the company under section 110 of the Insolvency Act. This, they claim, will enable new shares with full voting rights to be issued to all existing shareholders.

Due to the current 232p price discrepancy between the two classes of shares, however, it is likely that holders of the ordinary shares would not fare well under such an arrangement. Furthermore, Aquascutum maintains that such a move would require directors' consent to make a declaration of insolvency. It would also require 75 per cent of shareholders to vote in its favour.

The board has responded by appointing Mr Philip Birch, who played a large part in Ward White's transformation into a major retailer, as a non-executive director.

Mr Birch, who said that he had not yet agreed terms with Aquascutum, sees his role as twofold. "First," he said, "we have got to put out the fire. We cannot see that the winding-up of the company can possibly be in anyone's interest."

He will also turn his attentions to pepping up the group's disappointing recent performance.

The group's pre-tax profits have fallen in each of the past two years. For the year to January 31 1989, the decline was blamed on exceptional costs arising from the collapse of a US franchise, together with an instance of "damaging" parallel trading.

Advisers to Aquascutum believe that efforts will be made in the coming weeks to arrive at an equitable solution for all shareholders. "The board is not sitting in its ivory tower," they said. "But Waterfall does not have any God-given right to represent Class A shareholders."

Mr Birch, for his part, felt that the presentation of a winding-up resolution was the likeliest direction events would take. "It is difficult to imagine that the institutions would want to support a winding-up proposal," he said.

See Lex

UK COMPANY NEWS

Staveley weighs in with $34.8m acquisition

By Clare Pearson

STAVELEY INDUSTRIES yesterday announced a $34.8m (£21.8m) agreed offer for Howe Richardson in a move which fulfills the company's desire to build up its measurement operations in Europe.

Howe Richardson is a US company with interests in industrial weighing, process control and material handling products and systems, but Staveley is buying it for its UK- and West Germany-based Chronos Richardson subsidiary, a leading European manufacturer of bulk weighing, bagging and mixing equipment.

To fund the purchase Staveley, which also has interests in minerals and mechanical and electrical services, is raising a net £27.4m through a one-for-four rights issue. Mr Brian Kent, chairman, said this was its first sizeable share issue in at least 20 years.

Staveley's shares closed 17p lower at 170p, compared with the 150p rights issue price.

Last year, Howe as a group made $3.1m on $105.3m of sales but Chronos achieved $4.3m on $64.9m sales. Sweeping rationalisations are planned at the loss-making US operation.

Mr Kent said the multiple on which Howe was being bought would look much lower after Staveley had "altered the profit profile of the company during the next six to 12 months".

He said that after the purchase Staveley would command more than 10 per cent of the world measurement equipment market. As a proportion of group business, the UK would diminish from about 85 per cent to just over half, and Western Europe would rise from about 10 to about 17 per cent.

On its current trading for the year ending this month, Staveley said results were overall ahead of last time despite the harder trading climate. British Salt was set for yet another good year. But Weigh Tronix, Staveley's main existing US weighing company, had experienced lower growth reflecting conditions in the US steel, automotive and agricultural sectors.

Staveley is offering $11.5 each for shares in Howe, which are quoted on the US Stock Exchange. Irrevocable acceptances in respect of 53 per cent have been obtained from Reprise Capital, a vehicle of Mr Stanley Tulchin, a venture capitalist who bought into the company to turn it round from losses three years ago.

The rationale behind the rationalisation

Nick Garnett on Hawker Siddeley's strategic review and any consequent changes

HAWKER SIDDELEY, the electrical and mechanical engineering group, has completed its nine-month strategic review of its businesses and will announce the outcome of that study at the same time as its annual results on March 28.

Since Mr Alan Watkins took over as chief executive last summer, the group has been examining which businesses it should stay in and grow by acquisition, and which it should get out of.

Mr Watkins, who joined Hawker from Lucas Industries, has already indicated that the group will probably be staying in six or seven business areas in which it believes it can create a position for itself as one of the top three or so European suppliers.

He has also said that this is likely to involve the sale of companies accounting for about a quarter of the group's annual sales of £2bn while looking to buy companies with overall sales of £1bn. Hawker has a small cash balance and is expected to announce pre-tax profits significantly above £200m.

Three areas the group seems certain to stay in are aerospace components and servicing, electric motors and rail equipment.

Under Mr Watkins, Hawker has already been acquiring companies in two of these sectors.

Last October, Hawker purchased Electromotors, the small electric motor manufacturing business of GEC Alsthom.

The group increased its interests in aviation repair and overhaul with the acquisition a few months earlier of Standard Aero of Canada for £56m.

Hawker is also heavily involved in supplying equipment for new trains for Channel Tunnel services. Overall, demand for locomotives and complete train sets and light railway equipment is going through a mini boom.

On the other side of the coin, Hawker does not have any chance of making a big mark for itself in diesel engines where its Lister Petter company makes small diesels and Mirrlees Blackstone large diesels.

The same applies to mining equipment, where Hawker's biggest "brand" name is Dofasco.

It has also been widely felt among competitors that Hawker will want to reduce its disparate Canadian interests.

Mr Watkins has made it clear that Hawker might remain in parts of sectors while offloading other elements of those sectors. In power generation, for example, Hawker could be well placed to tap into the growing demand for small gas turbine-powered stations.

Some analysts wonder, though, whether it would be worth keeping switchgear and transformer businesses.

The philosophy of splitting up sectors could also apply to diesels if Hawker decided, for example, to stay with smaller engines but not the big units. However diesel manufacturing is a very competitive business and some of the half dozen or so main European competitors in the Lister Petter power range are probably not going to survive, particularly as a new challenge is about to be mounted from Japan.

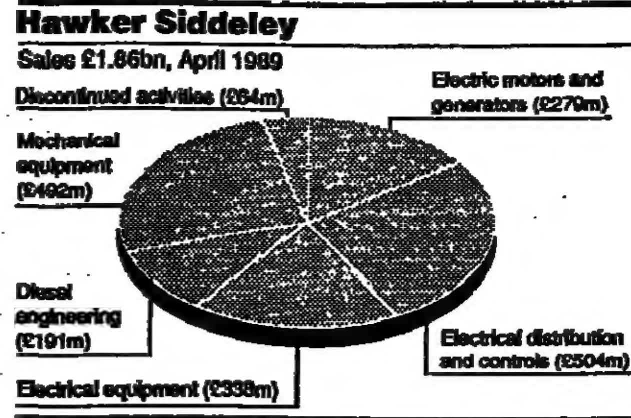
Two sectors that cause observers of Hawker a lot of problems are its batteries, and its instrumentation and control operations. Hawker has a sizeable battery business with Crompton Vidor and Oldham and the group has production sites in continental Europe. But the European batteries industry is beginning to shape up into fewer but larger producers, Japanese competition has arrived on the doorstep, and Hawker would probably have to grow substantially in part or all of these sectors to protect its position.

Controls and instrumentation was the big area of acquisition under Mr Bob Bensly, the previous chief executive. It would be a major reversal of policy to move away from this sector.

But some analysts believe Hawker needs to have more focus in what is a collection of relatively small control businesses, many of them in the US, to meet its criterion of being a European or world-scale player.

Hawker Siddeley

Sales £1.86bn, April 1989



Area of manufacture (£m)	
UK	974
US	425
Australia	255
Canada	96
Other	118
Sales by area (£m)	
UK	656
US	497
Australasia	229
Europe	147
Far East	105
Canada	102
Other	132

PHK achieves £2.4m in first three months

PFG Hodgson Kenyon International (PHK), the UK's Britain's largest quoted funeral director, made £2.41m before tax in the three-month period following the merger between Hodgson Holdings and Kenyon Securities, writes *Andrew Hill*.

Mr Howard Hodgson, the group's flamboyant chief executive, said the benefits of the merger, which gave the group a market share of nearly 11 per cent in the UK, would only come through in the 1990 results.

The merger and subsequent rationalisation of the two quoted funeral directors cost about £3.5m after tax, which has been written off to the old Hodgson and Kenyon accounts.

PHK now operates seven separate trading divisions. The funerals operation, with 400 outlets in the UK, will still be by far the largest contributor to turnover, which stood at £12.15m in the three-month period reported yesterday.

Earnings per share came to 3.56p in the three months and a first interim dividend of 1.2p was declared.

Johnston Press up 38% in spite of interest rates

By James Buxton, Scottish Correspondent

PRE-TAX PROFITS at Johnston Press, which prints and publishes 56 newspapers in different parts of the UK, rose by 38 per cent in 1989 to £5.82m.

Sales rose by 18 per cent to £41.73m.

Mr Fred Johnston, chairman of the family-controlled company which came to the Stock Exchange in 1988, said last year's increase in profits was achieved despite a background of rising interest rates, difficulties in the property market and problems in parts of the retail trade.

The Edinburgh-based group acquired several new titles in south Yorkshire, Derbyshire and west Sussex. It now owns 32 paid-for and 24 free weekly newspapers.

In January this year Johnston purchased Dunn & Wilson, the Leeds-based library supplier and book conservationist, for £7.6m.

Mr Johnston said that D&W would become Johnston's biggest operating subsidiary, adding about £18m to turnover.

He said there was no sign of any downturn in business in the first 10 weeks of this year, in spite of some fluctuation in advertising volumes and indications that some other printing and publishing companies were suffering from slower business.

"We are the market leader or number two in all the areas our newspapers operate," he said.

"If there is a downturn business will desert the johnny-come-latelies rather then the strong publications." The company had the potential to make savings and operating improvements which would go some way to compensate for any downturn in revenue. Gearing was low even after the purchase of D&W, offering room for further expansion.

Johnston is 54 per cent owned by members of the Johnston family and has been expanding for the past 12 years.

Earnings per share rose 29 per cent to 15.5p and a proposed final dividend of 3p makes a total of 4.5p (3.5p) for the year.

ScanBank sells Rentaminster stake

By Clare Pearson

MINERVA CAPITAL Corporation, a vehicle for the businessman Mr Robert Kermanshahchi, has acquired from Scandinavian Bank 29.9 per cent of the shares in Rentaminster, the Third Market-traded supplier of personnel to the construction and shopfitting industries, for £1.9m.

Mr Kermanshahchi's deal with Scandinavian Bank, which was left with an unwanted majority holding after a less than successful placing and rights issue last September, saves it from the prospect of being forced by the Takeover Panel to make a full bid.

But Scandinavian Bank is still left with a 19.5 per cent stake.

Mr Rodney and Mr Neville Toogood, Rentaminster's founders, are resigning as directors but will continue to hold a total of 19.9 per cent of the shares.

Two previous divisional managing directors and the previous financial controller are appointed to the board. Mr Kermanshahchi becomes acting chief executive.

Minerva need not pay the 50p-per-share consideration, for its stake for five years.

The terms compare with 65p per share, the level at which Minerva was recently granted an option, which expired on March 2, to take up Scandinavian Bank's entire stake.

Rentaminster's shares closed yesterday down 2p at 47p.

Scandinavian Bank has undertaken not to dispose of its shares for two years. It is making available to Rentaminster a £5.65m secured loan facility and is also accepting the proceeds of the disposal of a property by way of full consideration for the company's existing debts to it of £2.9m.

Rentaminster also said yesterday that its pre-tax profits for the half-year to the end of December were likely to be significantly below the £1.26m indicated to shareholders last August.

Yesterday marked the most recent deadline granted to Scandinavian Bank to reduce its holding in Rentaminster, which under normal Takeover Panel rules would trigger a full bid.

Scandinavian Bank's exposure arose through its broking subsidiary Brewin Dolphin, which sponsored Rentaminster's move on to the Third Market in August 1988.

Macallan-Glenlivet improves 66% to £5.3m

By Andrew Bolger

MACALLAN-GLENLIVET, Banffshire-based malt whisky distiller, yesterday announced a 66 per cent increase in pre-tax profits to £5.3m in the year to December 31.

Turnover rose by 31 per cent to £13.4m and earnings per share increased to 7.41p (6.1p). A final dividend of 0.71p makes a total of 1.06p (0.88p) for the year.

The company said those advances were accounted for by considerable growth in the volume of new whisky sales as well as by steady progress by The Macallan single malt whisky, sold in bottle.

While brand sales continued to rise satisfactorily and, as in past years, ahead of market growth generally, margins had been restrained by strategic increases in advertising and promotional expenditure. That was part of a medium-term strategy to establish The Macallan as a premium product in world markets, it said.

Earnings per share had increased by 21 per cent in spite of an increase in the tax rate to 31.9 per cent (18.8 per cent).

The company said that had been achieved without taking advantage of the strong market price currently available for mature quality whisky stocks.

The company said that sustained buoyancy in the new whisky market and steady improvement in sales of The Macallan would, in the absence of unforeseen circumstances and in spite of a decline in interest received, offer the prospect of satisfactory growth for the year ahead.

ECONOMIC DIARY

TODAY: Australian general elections. Social Democratic Party congress in Prague (and 25th). "African Governance in the 1990s" conference in Atlanta, Georgia.

TOMORROW: First round of voting in Hungarian parliamentary elections. Kazakhstan and Georgia republican elections.

MONDAY: Food facts (fourth quarter). European Community agriculture council starts two-day meeting in Brussels. Financial Times conference "World Pharmaceuticals" at Royal Garden Hotel, London. Financial Times conference "The European Water Industry" at Hotel Inter-Continental, London. FAO food security committee meets in Rome (until 30th).

TUESDAY: Czechoslovak parliament meets to discuss budget and new economic laws (until 29th). Mr Dmitry Yazov, Soviet Defence Minister, will pay an official visit to France. The National Reconciliation Commission holds talks in Oslo with the rebel Guatemalan National Revolutionary unit (until 29th).

WEDNESDAY: US gross national product (fourth quarter); corporate profits (fourth quarter). Zimbabwe general elections. Lomé Convention meeting in Suva at ministerial level between European Community and the 69 countries of the ACP (until 30th).

THURSDAY: New vehicle registrations (February). Energy trends (January). London sterling certificates of deposit (February). Bill turnover statistics (February). Monetary statistics (including bank and building societies balance sheets) (February). Sterling commercial paper (February). US personal income (February). European Community transport council starts two-day meeting in Brussels. Group of Eight Latin American countries meet in Mexico City.

FRIDAY: US factory orders (February). European Community finance ministers meet in Galway to discuss pros and cons of European Community economic and monetary union (until April 1). China's parliament, the National People's Congress, holds its first meeting since the crackdown on the pro-democracy movement.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons (*456)	420	44	50	65	3	10	15
	460	14	25	40	13	26	31
	500	3	11	25	45	48	53
ASDA (*108)	100	12	19	19	2	4½	6
	110	5½	12	13	6½	8½	11
	120	2	7	10	15	16	18
Brit. Airways (*208)	180	32	35	41	1	3½	5
	200	14	19	27	4	6½	11
	220	3½	10	17	16	21	24
Brit Com (*64)	60	8	15	17	4½	7	11
	70	3½	9	13	10	13	17
SmKl Beecham A (*510)	460	51	65	80	2½	8	12
	500	20	35	53	12	16	24
	550	5	17	30	45	45	48
Boots (*270)	260	19	24	31	4	11	12
	280	5	11	21	13	19	22
	300	1½	–	–	30	–	–
B.P. (*337)	300	41	47	55	1½	3	4½
	330	15	26	33	3½	8	13
	360	2½	10½	18	24	25	25
British Steel (*146)	145	5	–	–	2½	–	–
	155	1½	–	–	10	–	–
Bass (*947)	900	65	90	125	6	18	22
	950	27	57	92	22	37	42
C & Wire (*533)	500	46	66	86	5	13	22
	550	16	33	55	26	40	43
Courtaulds (*336)	297	42	47	57	1½	6	10
	327	17	28	38	7	17	20
	357	5	13	–	25	32	–
Com. Union (*473)	420	46	60	–	3	8	–
	460	14	34	45	16	20	25
	500	3	17	27	47	48	51
GKN (*401)	390	25	45	55	8	14	20
	420	9	28	37	22	29	37
Grand Met. (*596)	550	55	77	90	3	11	16
	600	16½	44	56	20	27	33
I.C.I. (*1136)	1100	52	97	122	15	25	37
	1150	27	69	92	34	44	57
	1200	9	45	–	70	75	–
Kingfisher (*280)	260	28	32	38	2	8	10
	280	14	18	27	9	15	16
Ladbroke (*300)	280	25	31	43	2½	8	11
	300	10	20	32	8	15	17
Land Secur (*476)	460	27	37	50	4½	14	18
	500	5	17	28	26	35	38
M & S (*196)	180	19	23	31	1	3	4½
	200	5	10½	18	7½	10	13
STC (*266)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury (*258)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*468)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse (*120)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*341)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits (*334)	330	9	22	32	14	17	22
	360	2	10	17	39	38	40
Unilever (*665)	650	25½	45½	68½	13½	28½	25½
	700	3½	21	42	49½	53	55½
Ultramar (*372)	360	22	38	50	7	15	18
	390	6	20	32	25	30	35

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*504)	500	22	40	52	30	33	43
	550	9	22	33	70	72	77
BAA (*398)	390	28	37	51	9	14	19
	420	12	20	34	26	30	35
BAT Inds (*807)	800	35	61	92	23	30	37
	850	16	36	62	55	60	65
BTR (*446)	420	32	48	57	10	15	20
	460	9	26	35	31	35	39
Brit. Telecom (*286)	280	17	26	31	6	10	11½
	300	7	13	22	16	19	21
Cadbury Sch (*327)	300	38	50	58	4	7	9
	330	15	30	38	16	19	21
Guinness (*690)	650	48	73	98	10	17	22
	700	22	44	60	33	38	43
GEC (*204)	200	15	20	24	5	8	11
	220	4	10	14	17	22	22
Hanson (*230)	220	18	25	31	3½	7½	8½
	240	6½	12½	20	14	18	19
LASMO (*604)	600	32	55	75	27	30	38
	650	13½	32	50	60	60	63
P. & O. (*607)	600	21	41	53½	23½	28½	35½
	650	4½	20	30½	64½	65½	68½
Pilkington (*217)	200	24	27	33	3½	8	9
	220	11	15	21	10	16	19
Polly Peck (*392)	390	27½	40½	56½	17½	29½	35
	420	15	27½	42½	35½	47½	52
Prudential (*203)	200	10	17	20	9	13	15
	220	3	8½	12	26	27	29
Racal (*207)	200	17	25	34	7	10	13
	210	11	–	–	18	–	–
R.T.Z. (*545)	500	44	67	79	8	13	17
	550	16	35	50	32	37	44
Scot. & New (*295)	280	28	37	42	5	12	15
	300	15	23	33	15	22	25
Tesco (*201)	200	9	16	21½	7	8½	10½
	220	2	7	12½	22	22½	25½
Thames Water (*155)	140	19	23	25	2½	6	8
	160	6½	10	12	9	15	17
Water Hldg Pkg (*1603)	1600	80	120	160	45	130	130
	1650	60	90	–	90	170	–

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad (*61)	60	7½	10½	13	4½	7½	8
	70	3½	6	9	13	13	15
Barclays (*575)	550	55	67	87	11	18	21
	600	22	35	57	33	41	41
Blue Circle (*221)	220	12	20	28	13	17	18
	240	4½	11	18	28	31	31
British Gas (*214)	200	23	25	32	3	5½	6½
	220	10	12	19	9½	14	15
Dixons (*123)	120	10	14	16	5	7	10
	130	6	9	10	9	11	13
Glaxo (*790)	775	54	–	–	28	–	–
	800	38	67	82	38	44	52
Hawker Sidd. (*650)	650	35	73	70	28	55	50
	700	25	52	–	75	90	–
Hillsdown (*239)	220	27	33	39	3½	6	7
	240	13	22	26	11	14	16
Lonrho (*275)	260	29	35	45	7	10	15
	280	18	25	32	17	22	23
Midland Bk (*339)	330	31	40	50	11	17	18
	360	15	25	33	25	32	32
R. Royce (*190)	180	16½	23	28	6	8½	12
	200	6½	12	16	18	20	23
Sears (*100)	100	7	9	12½	6	8½	9½
	110	3	6	8	14	15½	17½
THF (*267)	260	14	26	30	10	14	18
	280	7½	16	20	23	27	30
Thorn EMI (*704)	700	50	58	77	22	35	40
	750	24	35	52	45	65	67
TSB (*143)	140	12	15	18	7	8	9
	160	4	5	–	19	21	–
Vaal Reefs (*$107)	100	17	20	24	7	11	12
	110	12	17	20	12	16	18
Wellcome (*713)	700	64	94	117	35	42	49
	750	40	69	90	62	70	77

EURO FT-SE INDEX (*2283)

	2125	2175	2225	2275	2325	2375	2425	2475
CALLS								
Mar	162	112	65	28	8	2	1	½
Jun	220	180	144	110	83	62	45	33
Sep	263	–	198	–	140	–	94	–
Dec	302	–	235	–	178	–	133	–
PUTS								
Mar	2½	3½	6	19	50	95	144	193
Jun	28	36	45	62	84	110	142	176
Sep	41	–	65	–	100	–	146	–
Dec	50	–	70	–	105	–	148	–

FT-SE INDEX (*2283)

	2150	2200	2250	2300	2350	2400	2450	2500
CALLS								
Mar	134	86	42	13	2	½	½	½
Apr	165	121	84	53	32	17	8	3½
May	182	142	105	77	53	34	23	14
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PUTS								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

March 23 Total Contracts 32,624 Calls 16,975 Puts 15,649
FT-SE Index Calls 3,958 Puts 7,499
Euro FT-SE Calls 232 Puts 180
*Underlying security price. † Long dated expiry months.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Fri Mar 23 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Mar 22 Index No.	Wed Mar 21 Index No.	Tue Mar 20 Index No.	Year ago (approx) Index No.	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (282)	868.72	+1.1	13.34	5.14	9.14	3.19	859.33	860.25	864.54	943.73	1012.97 18/8 /89	775.54 3 /1 /89	1038.07 16/7 /87	50.71 13/12/74
2	Building Materials (27)	1060.60	+1.2	14.87	5.37	8.38	0.89	1048.02	1042.99	1046.89	1192.53	1287.14 19/5 /89	939.06 3 /1 /89	1381.08 16/7 /87	44.27 11/12/74
3	Contracting, Construction (37)	1416.20	+0.3	17.33	5.67	7.54	6.04	1411.68	1410.05	1419.05	1766.08	1801.66 14/3 /89	1306.13 27/10/89	1951.50 16/7 /87	71.48 2 /12/74
4	Electricals (10)	2482.85	+1.0	11.30	5.32	10.93	0.75	2457.74	2471.94	2496.84	2764.18	3040.80 8 /9 /89	2294.30 3 /1 /89	3040.80 8 /9 /89	84.71 25/6 /62
5	Electronics (29)	1836.31	+1.1	9.87	4.03	13.14	16.17	1816.78	1819.13	1829.19	2097.11	2308.22 19/5 /89	1776.44 3 /1 /89	2308.22 19/5 /89	1229.01 8 /10/85
6	Engineering-Aerospace (8)	441.08	+1.2	15.18	5.24	8.11	0.04	436.88	433.59	435.61	0.00	495.50 4 /1 /90	409.55 6 /3 /90	495.50 4 /1 /90	409.55 6 /3 /90
7	Engineering-General (44)	464.68	+0.6	12.16	5.30	9.91	2.83	461.85	461.10	463.87	0.00	502.82 4 /1 /90	453.02 23/2 /90	502.82 4 /1 /90	453.02 23/2 /90
8	Metals and Metal Forming (6)	497.20	+1.2	23.67	6.27	4.76	0.00	491.16	492.15	490.40	536.20	562.47 19/5 /89	439.27 27/10/89	596.67 9 /10/87	49.65 6 /1 /75
9	Motors (16)	356.07	+0.5	14.15	6.25	8.37	3.10	354.37	355.32	357.39	308.69	403.90 4 /1 /90	258.24 3 /1 /89	411.42 13/10/87	19.91 6 /1 /75
10	Other Industrial Materials (25)	1607.14	+1.6	11.15	4.94	10.45	3.12	1581.84	1593.02	1601.80	1585.94	1881.53 18/8 /89	1311.63 3 /1 /89	1881.53 18/8 /89	277.55 15/1 /81
21	CONSUMER GROUP (176)	1231.60	+0.8	9.56	3.97	13.07	3.97	1221.96	1215.60	1220.80	1161.57	1417.92 4 /9 /89	1016.74 3 /1 /89	1417.92 4 /9 /89	61.41 13/12/74
22	Brewers and Distillers (22)	1451.74	+1.2	9.99	3.79	12.36	6.57	1434.56	1412.98	1398.07	1268.41	1583.71 5 /9 /89	1112.42 3 /1 /89	1583.71 5 /9 /89	69.47 13/12/74
25	Food Manufacturing (20)	1065.18	.....	10.45	4.41	11.89	4.74	1064.58	1059.07	1064.30	1018.85	1220.42 4 /9 /89	926.04 3 /1 /89	1220.42 4 /9 /89	59.67 11/12/74
26	Food Retailing (16)	2252.89	+0.5	8.99	3.37	14.44	7.09	2241.60	2215.01	2235.89	1975.43	2722.30 5 /9 /89	1784.64 3 /1 /89	2722.30 5 /9 /89	54.25 11/12/74
27	Health and Household (13)	2542.13	+1.4	7.12	2.73	16.78	2.48	2507.11	2518.05	2529.09	2134.61	2795.49 4 /1 /90	1778.20 3 /1 /89	2795.49 4 /1 /90	175.38 28/5 /80
29	Leisure (31)	1445.83	+0.1	9.78	4.21	12.62	6.20	1444.11	1435.92	1454.29	1614.85	1845.77 8 /9 /89	1346.22 3 /1 /89	1845.77 8 /9 /89	54.83 9 /1 /75
31	Packaging & Paper (13)	562.13	+0.5	12.50	5.58	10.11	1.44	559.13	560.54	563.42	583.28	623.86 4 /9 /89	512.34 16/10/89	739.48 16/7 /87	43.46 6 /1 /75
32	Publishing & Printing (16)	3224.42	+0.9	9.97	5.44	12.83	21.87	3195.84	3180.78	3212.76	3652.71	3916.24 8 /2 /89	3180.78 21/3 /90	5070.66 5 /10/87	55.08 6 /1 /75
34	Stores (33)	752.94	+0.7	11.53	4.97	11.29	1.78	747.68	744.13	750.73	763.60	921.71 4 /9 /89	679.97 3 /1 /89	1160.58 29/7 /87	52.63 6 /1 /75
35	Textiles (12)	500.75	+0.9	13.02	7.00	9.68	0.37	496.30	498.34	504.35	513.33	586.98 21/9 /89	464.71 3 /1 /89	914.52 2 /10/87	62.66 11/12/74
40	OTHER GROUPS (104)	1165.24	+1.0	10.71	4.86	11.17	4.44	1153.90	1150.15	1153.32	1057.52	1233.52 3 /1 /90	896.15 3 /1 /89	1233.52 3 /1 /90	58.63 6 /1 /75
41	Agencies (17)	1573.36	+0.4	5.73	2.44	21.52	9.20	1567.00	1574.33	1570.67	1238.62	1630.70 5 /9 /89	1030.84 3 /1 /89	1795.57 17/7 /87	870.35 4 /12/87
42	Chemicals (23)	1234.06	+1.0	11.85	5.34	9.83	20.57	1222.32	1217.53	1221.75	1213.07	1370.94 11/8 /89	1026.37 3 /1 /89	1545.46 5 /10/87	71.20 1 /12/74
43	Conglomerates (13)	1610.14	+1.5	10.10	6.08	11.65	5.64	1585.88	1586.11	1587.58	1493.38	1819.46 11/8 /89	1254.94 3 /1 /89	1819.46 11/8 /89	975.19 10/11/87
44	Transport (13)	2242.87	+0.8	10.91	4.31	11.67	2.88	2224.40	2236.37	2238.03	2339.99	2554.69 12/7 /89	1836.25 4 /1 /89	2554.69 12/7 /89	90.80 29/6 /62
46	Telephone Networks (2)	1184.98	+1.4	10.71	4.33	12.14	0.00	1168.96	1151.30	1159.26	1101.65	1290.72 3 /1 /90	1002.43 3 /1 /89	1290.72 3 /1 /90	517.92 30/11/84
47	Water (10)	1986.44	+1.1	17.54	6.82	6.31	0.00	1965.69	1957.93	1953.30	0.00	2079.08 16/2 /90	1932.86 12/3 /90	2079.08 16/2 /90	1932.86 12/3 /90
48	Miscellaneous (26)	1865.90	+0.2	9.76	4.43	11.57	1.16	1861.84	1864.68	1871.48	1473.23	2087.06 11/7 /89	1183.56 5 /1 /89	2087.06 11/7 /89	60.39 6 /7 /75
49	INDUSTRIAL GROUP (482)	1134.45	+0.9	10.86	4.55	11.26	4.00	1124.04	1120.63	1125.07	1097.94	1273.71 5 /9 /89	936.74 3 /1 /89	1273.71 5 /9 /89	59.01 13/12/74
51	Oil & Gas (18)	2344.36	+0.9	10.48	5.14	12.58	32.88	2324.32	2319.97	2329.79	1987.04	2475.71 2 /1 /90	1725.77 3 /1 /89	2475.71 2 /1 /90	87.23 29/5 /62
59	500 SHARE INDEX (500)	1235.09	+0.9	10.81	4.63	11.43	6.22	1223.87	1220.36	1225.25	1173.30	1355.68 5 /9 /89	1002.81 3 /1 /89	1369.88 16/7 /87	63.49 13/12/74
61	FINANCIAL GROUP (114)	798.57	+0.9	–	5.56	–	9.98	791.13	787.14	792.33	748.40	869.67 3 /1 /90	670.86 3 /1 /89	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	876.66	+1.3	19.19	6.09	6.82	22.40	865.31	866.50	870.28	729.12	918.30 2 /2 /90	657.74 3 /1 /89	918.30 2 /2 /90	62.44 12/12/74
65	Insurance (Life) (7)	1297.53	+0.5	–	5.31	–	0.00	1291.52	1281.47	1297.96	1121.53	1484.67 3 /1 /90	933.96 5 /1 /89	1484.67 3 /1 /90	44.88 2 /1 /75
66	Insurance (Composite) (7)	656.16	+1.6	–	6.05	–	4.25	645.62	641.52	643.39	596.37	768.11 29/12/89	528.72 3 /1 /89	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (6)	1028.18	+1.2	7.22	6.14	18.39	15.51	1016.19	1017.49	1029.13	969.77	1194.74 4 /1 /90	916.68 3 /1 /89	1399.56 17/7 /87	65.86 16/12/74
68	Merchant Banks (8)	459.34	.....	–	4.13	–	0.83	459.32	461.93	465.22	331.84	502.02 8 /2 /90	318.05 3 /1 /89	547.59 12/10/87	31.21 7 /1 /75
69	Property (49)	1087.45	+0.2	8.35	3.98	15.16	1.56	1085.20	1063.94	1076.15	1329.34	1398.87 5 /9 /89	1063.94 21/3 /90	1398.87 5 /9 /89	56.01 20/4 /65
70	Other Financial (28)	320.39	+0.4	13.57	6.79	9.71	2.37	319.22	318.24	318.85	373.82	391.49 8 /2 /89	304.56 16/10/89	603.48 16/7 /87	33.29 17/12/74
71	Investment Trusts (68)	1166.61	+0.5	–	3.25	–	6.56	1161.07	1165.93	1170.40	1082.26	1323.81 4 /1 /90	922.04 3 /1 /89	1323.81 4 /1 /90	71.12 13/12/74
91	Overseas Traders (5)	1407.33	+1.9	9.18	6.50	13.13	30.79	1380.53	1381.31	1387.30	1394.35	1614.04 3 /1 /90	1255.90 17/10/89	1614.04 3 /1 /90	97.37 6 /1 /75
99	ALL-SHARE INDEX (687)	1129.11	+0.9	–	4.74	–	7.10	1118.90	1115.60	1120.49	1068.68	1226.83 3 /1 /90	921.22 3 /1 /89	1238.57 16/7 /87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 22	Mar 21	Mar 20	Mar 19	Mar 16	Year ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2283.9	+25.0	2283.9	2264.1	2258.9	2250.3	2259.7	2238.0	2263.9	2057.0	2463.7 3 /1 /90	1694.5 8 /2 /88	2463.7 3 /1 /90	986.9 23/7 /84

FIXED INTEREST

	PRICE INDICES	Fri Mar 23	Day's change %	Thu Mar 22	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.39	+0.22	112.14	–	3.41
2	5-15 years	116.98	+0.16	116.79	–	2.70
3	Over 15 years	118.80	+0.09	118.69	–	4.16
4	Irredeemables	137.36	+0.14	137.17	–	1.51
5	All stocks	117.24	+0.17	117.04	–	3.18
	Index-Linked					
6	Up to 5 years	140.45	+0.23	140.12	–	0.94
7	Over 5 years	131.75	+0.28	131.38	–	1.05
8	All stocks	132.29	+0.28	131.93	–	1.04
9	Debentures & Loans	94.75	−0.03	94.78	–	2.35
10	Preference	75.58	−0.24	75.77	–	1.49

	AVERAGE GROSS REDEMPTION YIELDS		Fri Mar 23	Thu Mar 22	Year ago (approx.)	1989/90 High	1989/90 Low
	British Government						
1	Low Coupons	5 years	11.81	11.80	9.43	11.81 21/3 /90	8.88 9 /2 /89
2		15 years	11.46	11.46	9.01	11.49 21/3 /90	8.77 9 /2 /89
3		25 years	11.34	11.34	8.85	11.37 21/3 /90	8.73 16/2 /89
4	Medium Coupons	5 years	13.06	13.09	10.43	13.16 21/3 /90	9.96 8 /2 /89
5		15 years	11.91	11.91	9.48	11.96 21/3 /90	9.21 8 /2 /89
6		25 years	11.46	11.46	9.04	11.50 21/3 /90	8.85 17/2 /89
7	High Coupons	5 years	13.16	13.20	10.55	13.27 21/3 /90	10.13 8 /2 /89
8		15 years	12.20	12.21	9.70	12.25 21/3 /90	9.41 8 /2 /89
9		25 years	11.71	11.71	9.23	11.75 21/3 /90	8.99 27/1 /89
10	Irredeemables†		11.35	11.35	8.80	11.35 22/3 /90	8.68 15/3 /89
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	4.69	4.69	3.49	4.75 21/3 /90	2.75 21/8 /89
12	Inflation rate 5%	Over 5 yrs.	4.17	4.17	3.50	4.18 21/3 /90	3.41 21/8 /89
13	Inflation rate 10%	Up to 5 yrs.	3.68	3.82	2.56	3.87 21/3 /90	1.91 21/8 /89
14	Inflation rate 10%	Over 5 yrs.	3.99	4.01	3.32	4.02 21/3 /90	3.23 21/8 /89
15	Debs & Loans	5 years	15.98	15.98	12.14	15.98 21/3 /90	11.47 30/12/88
16		15 years	14.42	14.41	11.40	14.46 21/3 /90	11.19 1 /2 /89
17		25 years	13.70	13.70	10.80	13.70 23/3 /90	10.66 27/2 /89
18	Preference†		12.20	12.17	10.05	12.20 23/3 /90	10.00 17/3 /89

‡Opening index 2264.1; 10 am 2275.9; 11 am 2275.5; Noon 2274.9; 1 pm 2275.2; 2 pm 2273.7; 3 pm 2274.7; 3.30 pm 2275.8; 4 pm 2282.8 (a) 5.00pm (b) 9.00am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.
RECLASSIFICATION: Courtaulds (35) has moved into group (42).

INTERNATIONAL COMPANIES AND FINANCE

RVI drops plan to float part of group

By William Dawkins in Paris

RENAULT Véhicules Industriels (RVI), the French truck maker, has cancelled plans to float part of the company and is negotiating to buy back equity warrants held by three big commercial banks.

The changes are the result of the recent co-operation agreement between Volvo, the Swedish car and truck group, and Renault, the state-owned car producer which owns RVI. Under the accord, Volvo's truck subsidiary would take a 45 per cent stake in RVI, with Renault taking the balance.

Banque Nationale de Paris, Crédit Lyonnais and Société Générale invested FFr1.2bn ($209m), in RVI in a capital restructuring three years ago, in equal chunks of FFr400m, in bonds and loans carrying equity warrants.

RVI agreed at the time to repay the capital in five years, by the end of 1993, when the banks could convert their warrants into shares representing 30 per cent of RVI's equity. Equally, the restructuring accord gave Renault the right to buy back the wrrants if it wanted.

The French car group will still repay the loans by the deadline, but is negotiating to take back the warrants, said RVI.

Renault could clearly not hold a majority stake in an RVI where 45 per cent of the shares was owned by Volvo and 30 per cent by the commercial banks. For the same reason, the possible flotation will not now take place, said officials.

The discussions with the banks are likely to be complex because of the change in valuation for RVI since 1987, when the truck maker was losing money. Earlier this week, it announced a net profit of FFr930m, down from FFr1bn in 1988.

Pick'n Pay rises 13% to R141m

PICK 'N PAY, one of South Africa's three largest retail chains, lifted sales and pre-tax profit by 13 per cent in the year ended February, 1990 as consumers demand slowed under the impact of credit curbs, writes Jim Jones in Johannesburg.

The sales increase was less than the overall rate of South African inflation and below the 16 per cent increase in average food prices.

Group turnover rose to R4.38bn ($1.2bn) from R3.87bn and pre-tax profit increased to R141.3m from the previous year's R116.3m.

Total acquires Unocal's Norwegian unit for $322m

By William Dawkins in Paris

TOTAL Marine Norsk, the Norwegian subsidiary of the French state-controlled oil company, yesterday announced the $322m acquisition of the Norwegian unit of Unocal International Corporation, the independent US oil group.

The deal brings with it oil and gas assets representing 80m barrels of oil equivalent, which will double Total's oil reserves in the Norwegian sector of the North Sea and increase its North Sea hydrocarbon reserves overall by 20 per cent.

Total outbid Statoil, the Norwegian state-owned oil group for what is the French company's first big acquisition since the arrival in February of Mr Serge Tchuruk, its new chairman.

This reflects Total's aim of building up North Sea oil production and exploration, part of the group's general policy of "focusing its development on its strong points," said a company statement.

The deal is a blow for Statoil and a compensation for Total, after its failed attempt, rebuffed in a court case last year, to build a substantial stake in Saga Petroleum, Norway's largest independent oil company.

Unocal's prize Norwegian asset is an 18 per cent stake in the Veslefrikk offshore oil and condensate field, which came on production late last year and is expected soon to reach its maximum annual output of 3.5m tonnes of oil equivalent.

The field, under 117 metres of water, is operated by Statoil, which owns 55 per cent of the field, in which the other partners including Norsk Hydro, Deminex of West Germany and Svenska Petroleum Exploration.

Total's stake in Veslefrikk gives it the right to 650,000 tonnes out of its maximum annual production, exactly doubling the French group's current Norwegian oil output.

It increases Total's overall hydrocarbon reserves in the Norwegian sector of the North Sea by more than a third.

Outside the Middle East, Total owns some 1.5bn barrels of oil equivalent in reserves, of which a third are now in the North Sea.

● The Angolan subsidiary of Elf Aquitaine, Total's larger state-controlled competitor, yesterday announced a significant offshore oil discovery off Angola.

The discovery well, named Cobo 1, shows a daily flow rate of 28,000 barrels of good quality oil, 9km south of the Bufalo field and 30km south of the Palanca field, said Elf. The discovery was made jointly with the Angolan government owned company Sonangol.

Cubiertas bid decision expected

By Peter Bruce in Gerona

SPAIN'S Stock Market Commission is likely to decide next week whether to allow a Pta16bn ($146m) hostile bid for control of Cubiertas y MZOV, the country's second biggest construction group, by a smaller rival, Ferrovial, to go ahead.

The takeover battle, the first since sweeping reforms of the Spanish stock market last year, took a new twist yesterday, when a portfolio company, owned by Cubiertas' directors and employees launched a counter bid.

Mr Luis Carlos Croissier, president of the commission, said he had not seen details of the counter offer, but expected to be able to decide which bid to allow in a matter of days.

Ferrovial is trying to raise its stake in Cubiertas from 25.8 per cent to just over 50 per cent, but, if Mr Croissier gives the green light to the counter offer, Ferrovial would be obliged to bid for all of Cubiertas.

But it was being suggested yesterday that the counter offer may not satisfy the Commission.

The Cubiertas employees making the counter bid own about 7 per cent of the company, the bulk of which holding stems from a convertible bond issue made by Cubiertas last year. Cubiertas subsequently lent the portfolio company the money to buy the shares.

The commission will have to decide whether the portfolio company is a truly independent shareholder or whether it is merely serving as a haven for Cubiertas' Treasury stock, which could disqualify it from bidding.

The takeover bid is the commission's first big test since it forced the closure of Drexel Burnham Lambert's Spanish operation last autumn for alleged fraud during the part-privatisation a year ago of the Repsol oil conglomerate.

UAL allows Davis to buy stock

By Janet Bush in New York

UAL, THE parent company of United Airlines, said yesterday that it had taken steps which would allow Mr Marvin Davis, the Los Angeles investor, to buy its shares.

Mr Davis, whose $240-a-share offer last August triggered a bidding war for the airline, has been restricted from making certain hostile moves by an agreement he signed with UAL to obtain confidential financial data. That confidentiality and standstill agreement was modified yesterday.

Yesterday's decision came a day after a special board meeting convened to consider a new $4.03bn buy-out proposal from Condor Partners, the Wall Street corporate restructuring specialist, and the airline's three main unions.

The board said that the offer had "serious deficiencies" and instructed its advisors to develop a plan to dispose of assets, to consider any proposal for the purchase of the entire company by other parties and to address all other alternatives for realising greater and fair value for shareholders.

Mr Davis withdrew his $300-a-share offer for UAL after the financing for the management buy-out in conjunction with British Airways, collapsed last October. However, he said he was still very interested in buying the airline.

UAL stock yesterday jumped $5 to $157 at midsession on the New York Stock Exchange.

Under the proposed buy-out by Condor Partners and the unions, employees would control 75 per cent of the equity through an employee stock ownership plan (Esop) and the other 25 per cent would be held by UAL's current shareholders. Condor intends to wage a proxy battle to oust UAL's board at the next general meeting on April 26.

Eberhard Martini: to announce further details

Bayerische Hypobank rights issue

By Katherine Campbell in Frankfurt

BAYERISCHE Hypotheken-und Wechsel-Bank, the Munich-based commercial and mortgage bank, is raising DM526.5m ($308.8m)in a rights issue of one new share for every 10 held. It is also raising its dividend to DM18 per share from DM 12.5.

At the same time, the bank revealed that 1989 group partial operating profits had risen DM20.3m to DM1bn, which represents a modest 2.1 per cent increase on the previous year.

Mr Eberhard Martini, the chairman, will announce further details of the figures at the yearly press conference next Tuesday. The 1.5m new shares are offered at a price of DM350 each, compared with yesterday's market close of DM419. The new funds will boost the bank's capital base to DM4.7bn.

Hypo's balance sheet grew 12 per cent last year to DM153bn at group level, and the institution said the rights issue was aimed both to take account of this rise, and to accommodate future expansion.

Analysts expressed some surprise at the timing of the rights issue. "Flat earnings have meant that the share price has under-performed the market for some while," points out Mr Thomas Albrecht at UBS Phillips & Drew in London.

After a period of heavy investment within the bank "cost growth should at some stage level off, and returns should improve. But presumably they believe this is the best opportunity to raise capital this year."

● Bayerische Vereinsbank, also based in Munich, said group partial operating profits for 1989 fell to DM844m, a 4.2 per cent decline on the previous year. The dividend stays unchanged at DM18. The bank's yearly press conference is on Monday.

Austrian Airlines unveils share issue to raise Sch1.72bn

By Paul Abrahams

AUSTRIAN Airlines (AUA) disclosed the final stage of its privatisation plans yesterday, when it announced it would raise Sch1.72bn ($142m) by issuing 400,000 shares between April 17 and May 2. The shares will be sold for Sch4,300 each.

The share issue will dilute the stake in AUA held by the Austrian State Government from 61.4 per cent to 51.9 per cent. In May 1988, the Government sold 25 per cent of the share capital in the company.

After the latest tranche is sold, Swissair will increase its stake in AUA from 8 per cent to 10 per cent and All Nippon Airways, the Japanese airline, will own 9 per cent instead of 3.5 per cent.

Air France will maintain its 1.5 per cent stake. The announcement is a blow for Lufthansa which had been negotiating a 10 per cent stake and has not been included in the deal.

The interest in AUA from non-Austrian airlines is not because of air carrier's size. AUA has 24 jets and last year carried only 2.6m passengers.

Rather, the airlines are interested by AUA's dominant position at Vienna airport. The airport looks set both to become a significant hub in central Europe as well as a link between the Far East and Europe.

The airport authorities are in the process of investing Sch5.1bn in new terminal facilities which should be completed by 1995. They have plans to double its capacity. Last year it handled 67,000 air movements.

At the same time as the privatisation announcement, All Nippon Airlines announced it had signed a five-year agreement with AUA to use Vienna airport as the main transfer point for traffic between Japan and east and central Europe.

The number of Japanese tourists heading for foreign shores has doubled over the last five years and is expected to double again before 1995.

All Nippon Airways is expected to start two direct flights a week to Vienna from Tokyo next year, in addition to the two joint flights it operates with AUA and Aeroflot. All Nippon Airways has also recently acquired a hotel property in Vienna

Fall in US demand for steel wire hits Bekaert

By Lucy Kellaway in Brussels

BEKAERT, the Belgian steel wire and cord producer, yesterday announced a sharp drop in profits for 1989, resulting form a fall in US demand.

The group's after tax profits fell by 9 per cent from BFr4bn ($113m) to BFr3.7bn, and the decline would have been sharper but for the BFr375m profit from the sale of of two Belgian subsidiairies.

The group, which claims to be the biggest producer in the world of steel wire and cord, said the fall in demand was particularly sharp in the second half, and effected all of its products.

Another reason given for the drop in profits was that heavy investments made during the year were not yet paying their way.

During the year Bekeart bought out the minority in its UK subsidiary, Twil, and started to consoldidate the results for the first time.

As a result group turnover rose by a third to BFr51.2bn, compared with BFr45.6bn in 1988.

Sales of wire and wire products fell by 160,000 tonnes to 980,000 during the year, of which 115,000 tonnes was due to sales of subsidiaries. Meanwhile, sales of steel cord rose from 353,000 to 382,000 tonnes.

L'Air Liquide 14% ahead

By William Dawkins in Paris

L'AIR LIQUIDE, the world's largest industrial gases producer, yesterday unveiled a 14 per cent rise in net profits before exceptional gains last year, on sales up 10 per cent.

The French company's net profits rose from FFr1.6bn to FFr1.8bn ($313m), not including a one-off exceptional profit of FFr320m after tax, from the sale of a 4.8 per cent stake in la Société Centrale d'Investissements (SCI), one of the holding companies at the centre of last summer's takeover battle for the insurance group, Victoire. This gain lifts L'Air Liquide's consolidated profits to FFr2.1bn.

The parent company's net profits rose by 14.2 per cent to just over FFr1bn before an exceptional gain of Ffr424.6m, which lifts the total to FFr1.5bn.

Nestlé posts 17% profit advance and plans rights

NESTLE, THE Swiss foods group, yesterday unveiled a profits and dividend increase and said it planned a rights issue if stock market conditions were favourable, agencies report.

Shareholders will be offered one new registered share for every 20 registered or bearer shares they own, and one new registered share for every 100 participation certificates they hold. The issue price will be decided later.

The company added that its 1989 consolidated net profit rose 17.2 per cent to SFr2.4bn ($1.6bn) from an adjusted SFr2.1bn in 1988. The increase follows a company forecast that group profit growth would exceed 10 per cent in 1989. Parent company net profit rose 13.8 per cent to SFr945.8m from SFr830.5m in 1988.

Nestlé plans a dividend payout of SFr200 a share for 1989, up from SFr175 a share the previous year, and SFr40 per participation certificate, an increase of SFr5.

The company also said it planned a capital increase, "if the stock exchange conditions are favourable." Stock market traders were concerned that another capital increase by a leading company could add downward pressure on Swiss equities prices in general.

Schindler tops forecast with 31% increase

By William Dullforce in Geneva

SCHINDLER, the Swiss lifts and escalator group, yesterday posted a 31 per cent increase in group net earnings to SFr111.3m ($73.2m) for 1989 and plans to step up its dividend by 16.7 per cent.

In September Schindler said it expected only a slight improvement in 1989 consolidated earnings due to heavy spending on the integration of the US elevator and escalator business which it bought from Westinghouse Electric in 1988.

Incorporation of the Westinghouse operation and acquisitions in Sweden and Australia helped to boost group turnover by 58 per cent to SFr3.52bn. New orders jumped by 57 per cent to SFr3.88bn. Schindler is the world's second biggest lift manufacturer.

Net earnings by the parent company amounted to SFr48.4m but SFr9.2m of this sum is attributed to the repatriation of liquid assets from European subsidiaries. The net profit on which dividends are based rose from SFr29.4m to SFr39.2m.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989/90	Low 1989/90
Gold per troy oz.	$389.25	-10.75	$395.5	$420.25	$356.5
Silver Per troy oz	317.25p	+2.20	352.95p	376.15p	307.25p
Aluminium 99.7% (cash)	$1591.5	-66.5	$1990	$2610	$1394.5
Copper Grade A (cash)	£1638.25	-30.75	£1909	£1982.5	£1301
Lead(cash)	£657.5	-147.5	£348.75	£805	£337
Nickel (cash)	$9400	-50	$16150	$19350	$5887.5
Zinc SHG (cash)	$1695	-40	$1660	$2107.5	$1265
Tin (cash)	$6440	+30	£5205	$10780	$6210
Cocoa Futures (May)	£750	+32	£798	£947	£622
Coffee Futures (May)	£678	-52	£1079	£1270	£572
Sugar (LDP Raw)	$372.4	-14	$281.6	$398.4	$235.8
Barley Futures (May)	£104.65	-2.60	£111.50	£113.85	£100.95
Wheat Futures (May)	£111.00	-2.80	£118.80	£121.65	£104.7
Cotton Outlook A Index	78.85c	-0.80	67.80c	84.95c	61.35c
Wool (64s Super)	580p	+4	655p	710p	548p
Oil (Brent Blend)	$18.30z	-0.325	$19.55	$21.975	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. z-May.

COCOA — London FOX £/tonne

	Close	Previous	High/Low
Mar	736	715	736 720
May	750	727	756 734
Jul	764	743	770 747
Sep	778	[illegible]	[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Ring turnover 15,825 tonne	
Cash	1600-2	1610-2		1591-2		
3 months	1603-4	1611-2	1615/1590	1595-6	1590-2	39,450 lots

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.35	20.00	20.34	20.04
Jun	20.38	20.18	20.44	20.22
Jul	20.37	20.25	20.42	20.25

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.45-5.55y	+0.05

SUGAR — London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	344.60	344.40	346.60 343.20
Aug	346.80	346.60	348.20 345.20
Oct	334.60	334.80	336.40 333.00
Dec	326.00	320.00	329.60 325.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	598/0	605/0	603/4	594/4

New York

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and yen gain ground

STERLING GAINED ground yesterday, in muted reaction to the crashing defeat of the Conservative Party in the mid-Staffordshire by-election. Dealers said the victory of the opposition Labour Party was expected, and had been largely discounted by the market.

A fall in the year-on-year UK inflation rate to 7.5 per cent in February, from 7.7 per cent in January, also had little impact. This was also expected, but the market fears that rising inflation and the Government's lack of popularity could increase the pound's risk potential in the coming month's. Yesterday's inflation figure will prove a temporary dip in the inflationary trend, according to City economists and Treasury forecasts. Some analysts fear the annual inflation rate will rise to over 9 per cent, partly on poll tax and increased mortgage payments.

It is also feared that a relatively soft Budget will mean that interest rates must be kept high for some considerable time, and may be forced up again, to defend sterling. This will not help improve the Government's appeal with the electorate if rates cannot be brought down before a general election, which must take place in 1992. Against this uncertain and nervous background sterling's rise yesterday was regarded as a technical move, after its recent decline. Lack of UK economic data in the next few weeks may help keep pressure off the pound in the short term, but dealers fear the currency will remain fragile.

Sterling rose 30 points to $1.6045. The pound also improved to DM2.7450 from DM2.7300; to SFr2.4350 from SFr2.4250; and to FFr9.2450 from FFr9.2050, but fell to Y246.75 from Y248.25. Sterling's index rose 0.3 to 86.1.

The Japanese yen improved on a report that Japan plans to issue dollar denominated Government bonds, and on speculation that talks between Mr Nicholas Brady, the US Treasury Secretary and Mr Ryutaro Hashimoto, Japanese Finance Minster, will result in Group of Seven action to support the yen. A rally in Tokyo equity prices also helped underpin the Japanese currency.

The dollar was firmer against the D-Mark, but lost ground to the yen. Fears that German monetary union will increase inflation weighed on the D-Mark. At the London close the US currency had climbed to DM1.7105 from DM1.7050; to SFr1.5175 from SFr1.5145; and to FFr5.7625 from FFr5.7475, but fell to Y153.85 from Y155.05. The dollar's index fell to 68.6 from 68.9.

The D-Mark traded quietly around the middle of the European Monetary System. The recent decline of the D-Mark has reduced pressure on the weaker members of the system, and encouraged Belgium and Denmark to cut official interest rates yesterday.

£ IN NEW YORK

Mar.22	Latest	Previous Close
£ Spot	1.6055-1.6065	1.6035-1.6045
1 month	0.90-0.89pm	0.91-0.90pm
3 months	2.68-2.66pm	2.69-2.67pm
12 months	9.42-9.32pm	9.37-9.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.23	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5960-1.6050	1.6040-1.6050	0.91-0.89cpm	6.80	2.69-2.66pm	6.72
Ireland†	1.5585-1.5650	1.5600-1.5610	0.42-0.37cpm	3.05	1.57-1.47pm	3.89
Canada	1.1745-1.1785	1.1745-1.1755	0.46-0.49cdis	-4.84	1.38-1.43dis	-4.77
Netherlands	1.9150-1.9280	1.9245-1.9255	par-0.03cdis	-0.09	0.05-0.10dis	-0.16
Belgium	35.30-35.50	35.40-35.50	3.00-9.00cdis	-2.04	11.5-21.5dis	-1.87
Denmark	6.50¾-6.54½	6.53¼-6.53¾	1.70-1.95oredis	-3.36	4.90-5.35dis	-3.14
W. Germany	1.7015-1.7130	1.7100-1.7110	0.08-0.06pfpm	0.49	0.10-0.07pm	0.20
Portugal	150.75-152.40	151.25-151.35	85-100cdis	-7.35	300-340dis	-8.48
Spain	109.00-109.55	109.45-109.55	48-53cdis	-5.54	155-165dis	-4.24
Italy	1253-1258¾	1258¼-1258¾	5.00-6.50lire dis	-5.49	12.0-14.0dis	-4.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6045	1.5955	1.5777	1.5530	1.5111
D-mark	2.7450	2.7285	2.6980	2.6570	2.5860
French Fr.	9.2450	9.2067	9.1345	9.0330	8.8605
Swiss Fr.	2.4350	2.4225	2.3977	2.3610	2.2975
Yen	246.75	246.59	246.25	245.83	245.05

MONEY MARKETS

Nervous bill tender

THE BANK of England declined all offers for 91-day Treasury bills at yesterday's tender. Dealers suggested that some bids could have indicated pressure for a rise bank base rates, on disappointment at this week's Budget statement and at the ruling Conservative Party's defeat at the mid-Staffordshire by-election. The refusal to issue any bills was therefore taken as a hint that the authorities are not prepared to consider higher interest rates at present. Last week the average rate of discount was 14.6195 per cent for 91-day bills and the top accepted rate was 14.6401 per cent.

UK clearing bank base lending rate 15 per cent from October 5

All £200m of 182-day bills were allotted at yesterday's tender, at an average rate of discount of 14.3498 per cent, against 14.2687 last week. The top accepted rate was 14.3593 per cent.

Wholesale interest rates showed little reaction to the bill tender, with three-month interbank closing unchanged at 15⅛-15% per cent. A firmer pound led to an easing of longer term rates however, with 12-month money falling to 15%-15⅜ per cent from 15⅜-15% per cent.

Short sterling futures on Liffe closed towards the bottom of the day's range at 84.64 for June delivery, little changed from Thursday's settlement of 84.63. The contract fell to a low of 84.62 and touched a peak of 84.73.

Credit conditions remained very tight. The Bank of England initially forecast a day-to-day shortage of £1,150m, but revised this to £1,200m at noon, and to £1,100m in the afternoon. Total help of £1,164m was provided.

An early round of assistance was offered, and at that time the authorities bought £525m bills outright, by way of £3m Treasury bills in band 2 at 14% per cent; and £522m bank bills in band 2 at 14% per cent. Before lunch another £404m bills were purchased, via £219m bank bills in band 1 at 14% per cent, and £185m bank bills in band 2 at 14% per cent. The Bank of England did not buy any more bills in the afternoon, but provided late help of £235m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £836m, with a rise in the note circulation absorbing £465m, and bank balances below target £65m. These outweighed Exchequer transactions adding £225m to liquidity.

FT LONDON INTERBANK FIXING

[illegible]	[illegible]	[illegible]	[illegible]

MONEY RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 13,399 Total Open Interest 21,247

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
March	1931.0	1943.0	+18.0	1946.0	1929.0	4,994
April	1930.0	1945.8	+18.5	1947.0	1930.0	2,540
May	1931.5	1941.5	+13.5	1941.5	1931.5	179
June	-	-	-	-	-	37

Estimated volume 4,187 Total Open Interest 7,750

BANK RETURN

BANKING DEPARTMENT	Wednesday March 21, 1990		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	57,752,818	+	51,151
Bankers Deposits	1,682,494,687	+	77,770,025
Reserve and other Accounts	1,983,883,252	-	113,847,809
	3,738,523,857	-	36,026,483
ASSETS			
Government Securities	1,548,651,745	+	465,816,757
Advance and other Accounts	650,810,794	-	91,287,504
Premises Equipment & other Secs	1,532,725,460	-	405,931,059
Notes	6,108,366	-	4,670,342
Coin	227,492	+	45,735
	3,738,523,857	-	36,026,483
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,093,891,634	+	44,670,342
Notes in Banking Department	6,108,366	-	4,670,342
	15,100,000,000	+	40,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	9,636,005,209	-	486,277,850
Other Securities	6,453,979,691	+	526,277,850
	15,100,000,000	+	40,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Mytrealt Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	16	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm.	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included 5

Greater London Council6¾% Stk 90/92 – [illegible]

Leeds Corp3% Deb Stk 1927(or after) – £25 (20Mr90)

Lincoln Corp3% Red Stk 1919(or after) – £25 (20Mr90)

Liverpool Corp3% Red Stk 1942(or after) – £25♦

[illegible]

UK Public Boards

[illegible]

Commonwealth–Government

[illegible]

Foreign Stocks, Bonds, etc–(coupons payable in London)

[illegible]

Finland(Republic of)11½% Ln Stk 2009(Reg) – £91½ (21Mr90)

Hydro-Quebec12.75% Ln Stk 2015 – £98⅝

15% Ln Stk 2011 – £111⅞ ⅜ 2⅛ ⅜

Inco Ltd15¾% Uns Ln Stk 2008 $ Rep Cgt – £107

Inter-American Development Bank9¾% Ln Stk 2015 – [illegible] (21Mr90)

International Bank for Rec & Dev9¾% Ln Stk 2010(Reg) – £78⅞

11.5% Ln Stk 2003 – £91⅜ ⅜ ⅝

[illegible]

Banks and Discount Companies

[illegible]

Breweries and Distilleries

[illegible]

Registered Housing Associations

[illegible]

Sterling Issues by Overseas Borrowers

[illegible]

Commercial, Industrial, etc

[illegible]

Financial Trusts, Land, etc

[illegible]

Insurance

[illegible]

Investment Trusts

[illegible]

Unit Trusts

[illegible]

Mines – Miscellaneous

[illegible]

Mines – South African

[illegible]

Oil

[illegible]

Property

[illegible]

Plantations

[illegible]

Shipping

[illegible]

Utilities

[illegible]

Mersey Docks & Harbour CoSha Red Deb Stk 94/97 – £85 (20Mr90)

6¾% Red Deb Stk 96/99 – £70 (20Mr90)

3¾% Irrd Deb Stk – £20 (20Mr90)

Pacific Gas & Electric CoShs of Com Stk $5 – £13.201631

US WEST,IncShs of Com Stk of NPV – $72⅜♦

Water No. of bargains included 917

Mid Kent Holdings PLCWarrants to sub for Ord – 60

Bristol Waterworks Co3.5%(Fmly 5%)Cons Prf Stk – £400

Cambridge Water Co3.5%(Fmly 5%)Cons Ord Stk – £1566

East Worcestershire Waterworks Co [illegible]

Essex Water Co4% Perp Deb Stk – £26 (21Mr90)

9¾% Red Deb Stk 97/99 – £79¾♦

10% Deb Stk 92/94 – [illegible]

Hartlepools Water Co3.5%(Fmly 5%)Max Ord Stk – £712 (20Mr90)

Lee Valley Water Co7½% Red Deb Stk 91/93 – [illegible]

Mid Kent Water Co5% Perp Deb Stk – £35♦

9¾% Red Deb Stk 97/99 – £79¾♦

Mid-Southern Water Co5% Perp Deb Stk – £35♦

[illegible] Water Co10% Red Deb Stk 92/94 – £88

Portsmouth Water Co3.5%(Fmly 5%)Ord Stk – £1315 (20Mr90)

South Staffordshire Waterworks Co [illegible]

4.9%(Fmly 7%)Ord Stk Class B – £800 (20Mr90)

3.5%(Fmly 5%)Ord Stk – £800♦

2.1%(Fmly 3%)Prf Stk – £800 (19Mr90)

3.5%(Fmly 5%)Cons Prf Stk – £800

Miscellaneous Warrants

[illegible]

USM Appendix

[illegible]

The Third Market Appendix

[illegible]

Rule 535(2)

[illegible]

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Bearcat Explorations 19.1076 ♦ (20/3)
Beverly Enterprises $4.375 ♦
Boral Ord. Stk A$3.54 .5559 [illegible]
Central Kalgoorlie Gold Mines [illegible]
City Developments S$1.731 [illegible]
Commodore International $8.[illegible]
Cons. Modderfonteins R4.28 [illegible]
Darty FF FR867.2 (20/3)
Haoma North West 2
Hunter Resources 5.5 6.5 ♦ [illegible]
Kern Corp A$.861 ♦
Keystone International $24.02 [illegible]
Killinghall Tin (Malaysia) Berhad [illegible] (21/3)
Kuala Sidim Rubber 30 ♦ (21/3)
Kulim Malaysia Ord 40 ♦
Leighton Hldgs A$.82555 ♦ [illegible]
Malaysian Airline System [illegible] (20/3)
Mount Martin Gold Mines 22 [illegible]
National Electronics (Consolidated) [illegible]
Niugini Mining A$2.88
Nixdorf Computers A6 Prf Shs [illegible]
North Flinders Mines £1.32 A[illegible]
Oil Search 35 ♦ 25 35 ♦ A$.[illegible]
Olimex A$.256
Overseas Chinese Banking Corp S$13.8507 (21/3)
Palabora Mining $15.7 R62 [illegible]
Rorer Group £41.75 (21/3)
Singapore Land S$14.53093 ♦ [illegible]
Spargos Mining NL 1 ♦ 1 .125 [illegible]
United Overseas Land S$2.1383 [illegible] 3)
Vultan Minerals A$.196

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LONDON STOCK EXCHANGE

Strong close to the trading account

UK STOCKS turned in a surprisingly resilient performance yesterday, when a technical squeeze on share prices helped the market brush aside any bearish implications of the dramatic defeat of the UK Government candidate in the Parliamentary by-election at Mid-Staffordshire. Encouraged also by a good recovery in the Japanese market overnight, by firmness in sterling and by news of lower domestic inflation last month, equities closed 25 Footsie points ahead with the index at its best level for a month.

Government bonds also started the day well, heartened by sterling's performance. But by the close, gilts had lost their early gains of ¼ point or so to close with little change from overnight levels.

Account Dealing Dates		
*First Dealings:		
Mar 12	Mar 26	Apr 9
Option Declarations:		
Mar 22	Apr 5	Apr 26
Last Dealings:		
Mar 23	Apr 6	Apr 27
Account Day:		
Apr 2	Apr 17	May 8

*New time dealings may take place from 9.00 am two business days earlier

It was the final day of the two-week trading account in equities, a factor reflected yesterday first in some hasty closing of bear positions and then, after the new account opened at 3.30pm, by a flurry of buying. But the chief impetus to prices came soon after the opening when a large US investment bank was forced to buy lines of blue chip stocks to balance bear positions taken in the FT-SE March futures contract which expires next Friday.

Encouraged by the announcement that the annualised gain in the UK Retail Price Index had dipped to 7.5 per cent in February from 7.7 per cent in the previous month, the Footsie extended its gain from 5 to 24 points. At this point there was a slight pause ahead of Wall Street's opening. When New York came in with a gain of 11 Dow points in London trading time, the UK market resumed its advance.

The final reading showed the FT-SE Index at 2,283.9, with a net gain of 25 points exactly. The Index has put on a net 20 points this week, despite the generally cautious reception in *the financial markets for the* UK Budget from Mr John Major, the Chancellor of the Exchequer. But the gain of 49.6 points (2.2 per cent) in the Index over the two week account has been even more dramatic in view of the troubled political and economic background ranging from the poor showing of the UK Government in public opinion polls to the fall in the Tokyo market.

UK equity strategists admitted to surprise at the recent firmness in equities, and stressed the technical aspects of yesterday's trading. With the end of the first quarter nigh, UK and other leading markets, are benefiting from *window dressing activities* by fund managers.

UK stocks are also supported at current levels by the dividend yield of nearly 5 per cent on equities, although Mr John Reynolds of County NatWest warned yesterday that, "this offers little scope for any further advance beyond FT-SE 2,300".

Cadbury plan confuses

Cadbury Schweppes fell after the company said it was in talks which could lead to it buying part of Source Perrier's soft drinks operations.

Cadbury shares were down 18 at one point as some traders were worried that the food manufacturer might have to make a rights issue. But the stock staged a late recovery and ended 7 lower at 321p as 2.6m shares changed hands.

After the close, Cadbury moved to clear up the confusion in the market, saying that it was indeed in talks with Perrier but that any purchase would be financed within Cadbury's overall credit facilities and would not involve any issue of ordinary shares.

However, analysts remained divided over the desirability of any acquisition. BZW's food team said it had been concerned for some time about Cadbury's debt in relation to its acquisition intentions. Mr Carl Short of Kitcat & Aitken said Cadbury's decision not to make a rights issue was good news but added: "Short-term I want to see the structure of the deal. Longer-term it's beneficial as it will help Cadbury's build its presence in France."

Laing assets surprise

Laing Properties published its eagerly-awaited 1989 asset valuation, viewed in the market as the centrepiece of its defence against a 650p cash bid from P & O and Chelsfield; the shares responded by rising 10 to 683p.

The net asset value of 910p compared with expectations of 800p and was regarded by analysts as a robust defence.

Mr Adam Murza at Smith New Court said: "It's a very strong revaluation figure. This puts the ball firmly back in P & O and Chelsfield's court. The question must be whether they will be able to come back with a higher offer. If they want Laing they will have to raise their offer substantially."

Another analyst said he thought P & O and Chelsfield would have to offer at least 800p, while one dealer believed 750p may be offered in order to tempt sellers out of the woodwork.

Willis Faber rally

Willis Faber, poor performers so far this year, staged a determined rally to close 9 higher at 251p as several broking houses bought the stock ahead of the group's preliminary figures, due on Monday.

Among the houses promoting the shares were Robert Fleming and Charterhouse Tilney. The former told clients to increase weightings in the sector by buying Willis. Mr Peter Constable at Flemings Research recommends Willis because of higher interest rates, which boost investment income, and the strong dollar. He expects higher insurance premiums and commissions "over the next year."

Mr John Marr of Charterhouse Tilney, the agency stockbroker, said he believed the recent underperformance of Willis was "unjustified," and cited "improving conditions in non-marine reinsurance markets in London" as well as "positive noises on new business."

Mr Marr expects Willis to announce a profit of £54m, compared with last time's £54.3m, and more importantly, a final dividend increased from 7.61p to 8p making a year's total of 11.85p. For the current year, Mr Marr forecasts profit of £65m, excluding benefits from the sale of the stake in Morgan Grenfell which realised around £150m. At current interest rates levels that would make a big impact, said Mr Marr.

Carlton pressure

Carlton Communications rounded off a dismal week with a further sharp decline yesterday. Dealers and analysts identified three reasons for the weakness. Firstly, Carlton has a 20 per cent stake in Central Independent Television, whose shares fell when it revealed only a slight improvement in profits after exceptional items to £27m. Central lost 6 to 758p.

Secondly, there was a mood of caution ahead of the world's biggest audiovisual equipment show, NAB, next week in Atlanta, Georgia. A trade press preview of NAB said that after "the boom years of the Eighties . . . manufacturers face a lean decade."

Finally there were persistent concerns surrounding the dispute over patents with Electronic Graphics over the right to make or sell a video special effects generator in the UK.

Carlton touched a low of 670p, before Smith New Court aggressively reiterated its buy recommendation on the company. The share recovered to close at 680p, still 15 down on the day and 45 lower on the week. Turnover was high for the stock at 1m shares.

Calor downgraded

Calor was weak in an otherwise strong energy sector after County NatWest published a 21-page note emphasising several negative fundamental factors which led the UK investment bank to see little scope for dividend increases in the near term.

Calor recently reported disappointing nine-months' results, which saw the shares retreat amid downgraded profits and dividend forecasts. They fell 7 further yesterday to 277p on turnover of 1.3m shares.

County said Calor has been badly affected by three successive mild winters which, in their view, "has hidden more fundamental problems." It identifies a number of important factors affecting the UK liquefied petroleum gas market. These include, "a change in mix from high margin butane to lower margin propane; the fall in-house turnover and high interest rates; rising UK inflation and growing competition from the oil majors."

These have contributed to "a worsening outlook for Calor," said County, adding that the dividend cover has fallen to uncomfortably low levels and that, with earnings recovery likely to be slow, it sees little room for dividend growth near term.

The Water stocks opened easier following Labour's victory in the Mid-Staffs by-election. This, dealers said, emphasised worries over possible renationalisation moves by a Labour Government in the event of a General Election victory.

But buyers moved in quickly and share prices responded with good gains across the board. North West Water, which in April joins Thames Water as a Footsie stock, advanced 5 to 161p. Yorkshire added the same amount to 180p and South West 7 to 165p. The Water Package rose £30 to £1603.

Thorn EMI, a poor performer in mid-week after a profits downgrading from UBS Phillips & Drew, weakened late in the session, closing a further 11 off at 697p on turnover of 1.1m shares. Dealers said there were more downgrades in the pipeline and that the group was suffering from sluggish sales at its Rumbelows retail business as well as problems involving its music businesses.

British Telecom continued to make progress, adding a further 5¾ at 286½p, aided by a bear squeeze and more talk of US buying. STC gained 6 at 267p on revived speculation concerning a joint venture deal over the group's ICL computer business.

The banks continued to make good progress, still helped by the Budget proposals on savings and the tax moves regarding LDC debt. Barclays rose 8 to 576p on turnover of 3.8m. Standard Chartered, full of the dividend, advanced 11 to 580p while TSB, responding to what dealers described as a "chronic bear squeeze," moved closer to the all-time peak to close up 5 at 143p.

Brewers rounded of an excellent week with further rises, especially among leaders with international businesses. Price movements were exacerbated, however, by a continuing squeeze on the short positions taken by traders ahead of Tuesday's budget.

Demand had been stimulated at mid-week by Guinness' results. The company's shares continued to strengthen yesterday as analysts' upgradings had their effect. Guinness rose 11 to 690p. Others to benefit included Bass, which improved 12 to 947p, and Allied Lyons, 8 up at 458p.

Redland 10 higher at 565p continued to respond to a buy recommendation. Tarmac edged up 5 to 237p ahead of a visit of analysts to the group's quarrying division on Monday.

Wilson Bowden, described by the County NatWest's buildings team as "probably the best housebuilder in the UK," a reference to Wilson's low borrowings and extremely attractive land bank, added 7 at 257p.

Food retailers made a small recovery after the setback earlier in the week when Sainsbury announced a pay award for its retail staff. Tesco added 2 at 201p, while Sainsbury was up 3 at 258p. Polly Peck, up 12 at 393p, continued to advance before its final results next week.

Marks and Spencer and W. H. Smith "A" both advanced, helped by buy recommendations from Smith New Court. Researcher Ms Kimlan Cook published a 19-page note on W.H. Smith which stressed that the current year was one of preparing the ground for growth over the next two. She said concerns over the diy division and television services were overdone – they were only small parts of the business. She said the company would see 10 per cent growth in earnings per share for the current year and 14 per cent for next year.

On M & S, the broking house sided with most of its peers in not changing profit forecasts in the wake of the company's pay awards announced on Tuesday. M & S firmed 3 to 196p while W. H. Smith shares climbed 9 to 303p.

Aquascutum "A" shares drew speculative interest for the start of the new account, climbing 13 to 133p. Investors were attracted by the possibility that the limited voting "A" shares might be enfranchised, and by the appointment to the board of Mr Philip Birch. He is the former chairman of Ward White which was bought by Boots in August 1989 for £900m.

BTR gained 13 to 448p as some traders closed bear positions, squeezing the share price higher. One analyst said the increasing likelihood of a Labor win in the Australian elections were a further source of support. Trafalgar House added 10 at 341p.

BAA equalled its all-time high, set in December last year, with a rise of 5 to 399p. "They are defying gravity," said one dealer.

British Steel continued firmly, adding 2½ to 147p as 6.6m shares changed hands. A more two-way business was evident in Rolls-Royce, which edged forward to 190p on turnover of 6.1m. Vickers gained 6 to 218p as the company held a presentation for institutional investors at Kleinwort Benson.

TI were wanted rose 4 to 453p while British Aerospace recovered from recent dullness ahead of being quoted ex the dividend on Monday, to end 16 better at 504p.

Hawker Siddeley were firm ahead of Wednesday's annual results, gaining 17 to 650p. A shortage of stock lifted Pendragon 9 to 125p and Lex Service rallied from recent weakness to close 7 up at 253p.

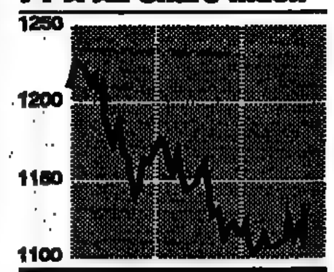
Buying interest in Yorkshire Chemicals helped the shares add 5 to 390p with Smith New Court said to have shown a keen interest in the shares.

Allied Colloids followed the market direction, the shares adding 3 to 155p. County Natwest said that while "growth of 18 per cent in 1989/90 . . . provides support for premium rating relative to the market, we believe the valuation looks over stretched versus other stocks in the sector-most notably against Laporte." Laporte continued to benefit from this week's good results and added another 9 to 532p.

USM-listed Halls Homes & Gardens fell after reporting sharply lower profits which have led to reorganisation moves and the company taking swift action to reduce both costs and borrowings. The shares closed 10 down at 93p.

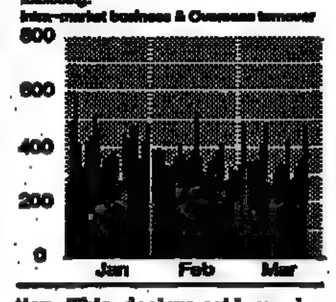
■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 9.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	78.23	78.03	75.91	76.79	77.12	87.98	89.29 (8/2/89)	75.91 (21/3/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	85.12	85.96	86.14	86.57	86.58	98.83	99.59 (15/3/89)	85.12 (23/3/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1796.1	1779.1	1771.4	1777.6	1759.9	1708.0	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	294.9	290.9	294.7	295.5	292.8	198.1	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2283.9	2258.9	2250.3	2259.7	2236.0	2070.5	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.82	4.87	4.96	4.94	5.00	4.51				
Earning Yld %(full)	11.69	11.81	11.75	11.72	11.85	10.88				
P/E Ratio(Net)(☆)	10.36	10.26	10.30	10.32	10.21	11.08				
SEAQ Bargains(5pm)	32,761	31,487	25,766	23,383	27,243	28,346				
Equity Turnover(£m)†	-	952.90	844.67	679.77	672.08	775.58				
Equity Bargains†	-	32,882	24,865	25,394	28,476	32,588				
Shares Traded (ml)†	-	476.2	350.1	324.1	290.6	402.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.30

Ordinary Share Index, Hourly changes — Day's High 1797.2 — Day's Low 1783.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1783.8	1792.1	1791.6	1790.8	1790.5	1789.9	1791.7	1796.7

FT-SE, Hourly changes — Day's High 2283.9 — Day's Low 2264.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2264.1	2275.9	2275.5	2274.9	2275.2	2273.7	2274.7	2282.8

GILT EDGED ACTIVITY

Indices*	Mar 22	Mar 21
Gilt Edged Bargains	89.3	123.6
5-Day average	94.9	93.1

*SE Activity 1974. †Excluding Intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	491	188	+1
ASDA Group	808	108	-1
Abbey National	1,500	193	+1
Allied-Lyons	1,600	458	+8
Amstrad	1,600	61	+1
Anglian Water	1,000	173	+2
Argyll Group	683	208	+2
Ass. Brit. Foods	364	381	-1
BAA	883	399	+5
BAT Inds.	2,300	811	+1
BET	3,200	232	+8
BICC	1,200	434	
BOC	1,100	652	+11
BPB Inds.	767	222	+1
BTR	1,800	448	+13
Barclays	3,800	576	+8
Bass	789	947	+12
Beazer	1,100	146	-2
Berisford Int.	3,400	134	+1
Blue Arrow	301	81	-½
Blue Circle	460	221	+1
Boots	731	270	+3
Brit. & Comm.	634	64	
Brit. Aerospace	1,460	504	+16
British Airways	1,880	208	-1
British Gas	5,508	214	+1
British Land	146	334	+1
BP	4,600	337	+3
British Steel	6,600	147	+2½
British Telecom	2,500	286½	+5¾
Bunzl	111	105	
Burmah Oil	358	595	+5
Burton	605	161	
Cable & Wire.	1,500	536	-2
Cadburys	2,620	321	-7
Calor Group	1,300	277	-7
Carlton Comms.	1,000	680	-15
Coats Viyella	303	181	+1
Comm. Union	817	473	+7

	Volume 000's	Closing Price	Day's change
Cookson	4,200	200	-3
Courtaulds	1,000	338	+6
Dalgety	113	377	-8
Dixons	888	123	-1
ECC Group	780	378	+4
Enterprise Oil	274	619	+6
FKI	2,500	70	+1
Ferranti	6,860	43	-½
Fisons	1,300	332	+2
Gen. Accident	284	1061	+15
General Elect.	2,600	205	+2
Glaxo	1,400	709	+6
Globe Inv.	694	172½	+1
Glynwed Int.	285	250	
Granada	1,100	273	-1
Grand Met.	2,700	595	+5½
GUS A	[illegible]	992	+6
GRE	1,000	225	+4
GKN	457	401	+1
Guinness	1,800	690	+11
Hammerson 'A'	135	715	+3
Hanson	3,600	229½	+3
Hanson Warrants	759	54	
Harrisons Cros.	737	155	+2
Hawker Sidd.	358	650	+17
Hillsdown	1,600	240	+1
IMI	361	227	+2
ICI	784	1136	+6
Inchcape	363	277	+7
Kingfisher	919	280	
Ladbroke	1,100	300	+3
Land Securities	359	475	-1
Laporte	296	532	+9
Legal & General	505	377	+3
Lloyds Abbey	107	314	+1
Lloyds Bank	2,100	289	+3
LASMO	631	605	+8
Lonrho	2,800	378	+5
Lucas	313	618	+3

	Volume 000's	Closing Price	Day's change
MB Group	[illegible]	203	+1
MEPC	105	485	+2
Marks & Spencer	1,100	196	+3
Maxwell Comm.	[illegible]	[illegible]	+1
Mecca Leisure	2,200	[illegible]	[illegible]
Midland Bank	597	339	+3
NatWest Bank	1,500	338	+2
Next	2,100	94	
North West Water	2,000	161	+5
Northern Foods	388	284	
Northumbrian Water	[illegible]	187	+9
Pearson	49	655	+5
P & O	392	607	+11
Pilkington	447	217	+2
Polly Peck Intl.	3,000	393	+12
Prudential	2,600	209	+1
RHM	395	383	+6
RMC	791	653	+12
RTZ	1,200	545	+7
Racal	4,200	209	+4
Racal Telecom	88	350	+11
Rank Org.	[illegible]	790	+6
Reckitt & Colman	[illegible]	1112	+4
Redland	697	565	+10
Reed Intl.	1,500	402	+7
Reuters	1,000	1090	+8
Rolls Royce	6,100	190	+1
Rothmans	429	684	+11
Ryl Bk Scotland	532	197	+5
Royal Insurance	340	483	+10
STC	2,000	267	+6
Saatchi	501	131	-1
Sainsbury	1,900	258	
Scottish & New.	646	295	+1
Sears	1,100	100	
Sedgwick	1,200	282	
Severn Trent Water	[illegible]	145	+2
Shell Transport	1,800	488	+5
Siebe	311	439	+8

	Volume 000's	Closing Price	Day's change
Slough Ests	[illegible]	272	+2
Smith (W.H.) A	[illegible]	303	+9
Smith & Nephew	3,400	126½	+2
SmKl Beecham	2,100	[illegible]	+13
SmKl Beecham Units	25	2325	+17
South West Water	721	[illegible]	+7
Southern Water	290	[illegible]	+4
Smiths Inds	847	[illegible]	+2
Standard Chartd.	892	580	+11
Storehouse	858	120	
Sun Alliance	318	[illegible]	+4
Sun Life	3	1208	+5
T&N	171	184	
TI Group	1,600	453	+4
TSB	4,000	143	+5
Tarmac	753	237	+5
Tate & Lyle	422	279	
Taylor Woodrow	825	263	-2
Tesco	2,200	201	+2
Thames Water	1,200	155	+2
THORN EMI	1,100	697	-11
Trafalgar House	741	341	+10
Trusthouse Forte	1,200	287	+4½
Ultramar	503	371	+4
Unigate	146	290	
Unilever	598	665	+1
United Biscuits	3,000	335	+8
Utd. Newspapers	325	350	+6
Water Package Uts.	2	£1603	+30
Wellcome	408	712	+9
Welsh Water	801	177	+3
Wessex Water	1,000	161	-1
Whitbread 'A'	149	388	+4
Williams Hldgs.	244	245	+2
Willis Faber	1,500	251	+9
Wimpey	92	250	+3
Yorkshire Water	1,700	180	+5

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (36).
CANADIANS (1) BREWERS (2) CHEMICALS (1) ELECTRICALS (2) FOODS (1) HOTELS (1) INDUSTRIALS (3) China Light, Jardine Hldgs., Tech. Project Serv., INSURANCE (1) MOTORS (1) PROPERTY (1) TRANSPORT (2) TRUSTS (1) OILS (3) OVERSEAS TRADERS (1).
NEW LOWS (86).
AMERICANS (1) BANKS (2) BUILDINGS (5) STORES (10) ELECTRICALS (3) ENGINEERING (11) FOODS (3) HOTELS (1) INDUSTRIALS (16) Apollo Watch, Bluebird Toys, Bodycote Int'l., Bridport-Gundry, Brit. Aero. 7¾pc (Net) Cv. Pf., Cookson, Courtney Pope, Dobson Park, Hawthorn Leslie, IMP Int'l., Johnson Matthey, Kalamazoo, Marling Inds., Mayflower Corp., Relyon, Silverminess, Swallowfield, Tamaris 8¼pc Cm. Pf.,
INSURANCE (1) LEISURE (4) MOTORS (5) PAPERS (6) PROPERTY (11) TRANSPORT (5) TRUSTS (3) OILS (4) MINES (2) THIRD MARKET (3).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	67	4	25	159	281	60
Corps. Dom. & Foreign Bonds	8	2	16	29	25	78
Industrials	404	368	831	1,476	2,161	4,316
Financial and Props	195	119	392	721	930	1,863
Oils	31	30	30	114	166	185
Plantations	0	1	9	2	5	43
Mines	36	43	79	207	206	378
Others	51	109	98	362	388	528
Totals	792	684	[illegible]	3,100	4,131	[illegible]

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday March 22 1990

Metals & Metal Forming	+	2.60
Packaging & Paper	+	0.28
Agencies	+	0.16
Water	-	0.14
Chemicals	-	1.88
Banks	-	3.04
Conglomerates	-	3.13
Food Retailing	-	3.17
Other Groups	-	4.17
Engineering-General	-	4.97
Merchant Banks	-	5.00
Transport	-	5.06
Oil & Gas	-	5.69
Gold Mines Index	-	5.89
Electronics	-	5.91
Textiles	-	6.35
500 Share Index	-	6.62
Industrial Group	-	6.77
Stores	-	6.82
All Share Index	-	7.12
Brewers and Distillers	-	7.22
Capital Goods	-	7.34
Telephone Networks	-	7.58
Electricals	-	7.77
Health & Household Products	-	7.93
Consumer Group	-	8.25
Building Materials	-	8.26
Motors	-	8.27
Financial Group	-	8.74
Other Industrial Materials	-	9.00
Contracting,Construction	-	9.03
Food Manufacturing	-	9.26
Engineering-Aerospace	-	10.31
Investment Trusts	-	10.48
Insurance(Life)	-	11.77
Property	-	11.89
Leisure	-	13.60
Overseas Traders	-	13.95
Insurance(Brokers)	-	14.41
Publishing & Printing	-	15.61
Insurance(Composite)	-	15.95

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-10	-	13.57	13.33	12.83
		10.500	8/99	88-17	-1/32	12.63	12.22	11.56
		9.000	10/08	80-26	+2/32	11.52	11.15	10.86
US TREASURY *		8.500	02/00	99-27	+4/32	8.52	8.60	8.54
		8.500	02/20	100-08	+5/32	8.46	8.55	[illegible]
JAPAN	No 119	4.800	6/99	87.5301	+1.067	7.03	7.11	6.77
	No 2	5.700	3/07	90.6135	+1.329	6.90	6.94	6.41
GERMANY		7.125	12/99	90.9000	+0.200	8.52	8.57	8.57
FRANCE	BTAN	9.000	02/95	94.8425	+0.182	10.38	10.53	10.74
	OAT	8.500	03/00	92.3000	-	9.73	9.90	10.17
CANADA *		9.250	12/99	90.6000	-0.200	10.84	11.02	[illegible]
NETHERLANDS		7.750	01/00	93.3400	+0.630	8.78	8.94	9.02
AUSTRALIA		12.000	7/99	92.4017	-0.098	13.44	13.40	13.28

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Gold's retreat worries the bulls

GOLD FELL well below $400 a troy ounce this week, and worried analysts asked themselves – was the recent rally a phoney bull market?

Although the move below $400 occurred on Tuesday, it was not until Wednesday that the sharp downward move through the critical $394-$395 level came. On Tuesday President Bush said it appeared that Soviet troops were massing on the border with Lithuania. That should have sent people scuttling to gold as a safe haven – instead they chose the dollar.

Gloomy analysts on Wednesday watched the price fall in London as low as $389 an ounce during the day, forced down by a sharp drop in the last half-hour of overnight trading in New York, where "there was blood on the streets," according to Mr Andrew Smith of UBS Phillips & Drew. They suggested that it would not return to $400 for some time.

Speculators were behind the fall, according to Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Hutton. Some had been disillusioned by the failure of the price to continue its strong rise, and some had sold short (sold gold they did not own in the hope of picking it up at a lower price later).

Gold closed in London yesterday at $389.25, a fall of $10.75 on the week. The next important support point is $385 – once breached the next stop was $360, according to Mr Smith. However, Ms O'Connell believed that demand from the Far East would probably hold the price above $385.

On the London Metal Exchange an increase of 28 per cent – by 3,575 tonnes to 16,475 – brought relief to lead consumers on Monday and a retreat from the record high of £805 a tonne for cash lead struck on Friday last week. The cash price fell that day by 13 per cent to £697.50 a tonne and closed yesterday at £657.50, a fall of £147.50 on the week. The premium for cash metal narrowed from £238.50 a tonne to £138 a tonne during the week.

Market talk yesterday suggested that LME stocks could rise by a further 3,000 to 5,000 tonnes next week. But lead's supply problems are far from over. Thursday brought news that a succession of technical problems had forced Cominco, the Canadian group, to close its new smelter at Trail in British Colombia for at least two months. Meanwhile it is cranking up output at its 35-year-old existing facility.

Cash nickel soared through the $10,000-a-tonne level on Monday, partly because LME stock fell by 924 tonnes to a 13-week low of 3,942 tonnes, and partly on news of an explosion at Falconbridge's Sudbury plant in Ontario. However, Sudbury was back in full production on Tuesday, and the price has retreated throughout the week, closing yesterday at $9,400 a tonne, a fall of $50 on the week. Yesterday market talk suggested a rise of 2,000 tonnes in LME stocks this week.

The copper market has seen several bullish factors removed this week. Noranda's Horne smelter workers accepted the company's final wage offer; the nine-day Peruvian port strike was lifted; Southern Peru Copper said it had no immediate plans to declare *force majeure* in spite of an 11-day-old strike; and Chile's Codelco halved its estimate of lost production at its Chuquicamata mine.

Nevertheless the market has retained a firm undertone based on the tightness of supplies – LME stocks fell by 1,525 tonnes last week to 75,000 tonnes and stocks on Comex fell yesterday to a 16-year low of 2,209 short tons. Market talk was suggesting a further decline this week of 2,000 to 3,000 tonnes in LME stocks. Cash copper closed yesterday at £1,638.25 a tonne, a fall of £30.75 on the week.

The importance of stock figures was underlined this week by the LME decision to report its stocks twice a week from April 23 in the hope of reducing price volatility. In a six-month experiment, the exchange will report the figures on at 9am on Tuesday and Friday, rather than once a week on Monday.

The oil market fell sharply on Monday in response to the weekend meeting of the Organisation of Petroleum Exporting Countries. Brent blend shed 40 cents to $18.22½ a barrel, and has remained around that level since.

Traders said the meeting offered no clear indication that current high levels of Opec production, at roughly 23.7m barrels a day, would be cut. Opec's official demand projection for the second quarter puts the call on Opec crude at just 20.8m barrels a day.

Meanwhile the International Cocoa Organisation is meeting in London to try to reach agreement on an extension of the international pact beyond September. An extension would avert the need to sell off the 240,000-tonne buffer stock.

David Blackwell

APPOINTMENTS

Cable and Wireless changes

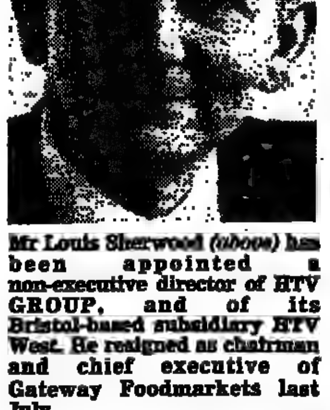
■ Mr Peter van Cuylenburg, chief executive of Mercury Communications, becomes an executive director of CABLE AND WIRELESS from April 1. From the same date Mr Gordon Owen, deputy chief executive of Cable and Wireless, is appointed chairman of Mercury Communications, succeeding Sir Gordon Brunton, who remains a non-executive director of Cable and Wireless. Mr Joe Crouch retires from the company's court of directors on March 31, but is retained as an advisor.

■ HAYES SHELL-CAST, Stourbridge, has appointed Mr Paul F. Winters as managing director; Mr Steve McLaren as production director; Mr Joe Hendriks as technical director; Mr Colin Harrison as sales director; and Mr Mike Green as company secretary.

■ Sir Norman Fowler has joined the board of GROUP 4 SECURITAS.

■ SCHRODER SECURITIES has appointed Mr J.G.C. Killeen, Mr Y.T. Kim, Mr P. Mourgue d'Algue and Mr R. Neill as directors; and Mr H.J.M. Bailey, Miss V.C. Jolliffe, Mr J.T. McAlpine and Mr M.B. Tassi have been appointed assistant directors.

■ Mr Frank Hawkins joins UNITED TRANSPORT LOGISTICS, part of BET, as commercial director. He was sales and marketing director, Hays Distribution Services.



Mr Louis Sherwood *(above)* has been appointed a non-executive director of HTV GROUP, and of its Bristol-based subsidiary HTV West. He resigned as chairman and chief executive of Gateway Foodmarkets last July.

■ Mr Rob Palmer and Mr Steve Hart have been appointed directors of newly-formed BACKHOUSE INTERNATIONAL CONSTRUCTION AND ENGINEERING INSURANCE BROKERS.

■ Mr W.C. Thomson, director, Nickerson Group, has become chairman of THE NICKERSON GROUP ROTHWELL.

■ Mr Victor Ross has been appointed BRS GROUP personnel director. He was with SRS.

■ Mr Paul Engers and Mr Barry Stanton have been appointed joint managing directors of SHIELD ASSURANCE from April 2.

■ H&G ENGINEERING has appointed Mr Frank Hart as managing director from April 2. He was an executive director of Babcock Energy and chief executive of Babcock Contractors.

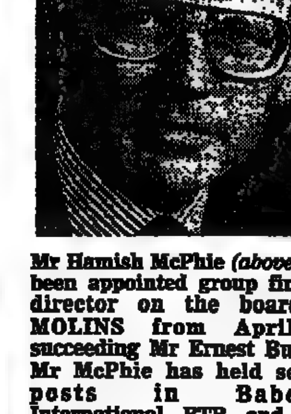
■ BRYANT GROUP has appointed Mr Colin Gabb as a director of Bryant Homes, and managing director of Bryant Homes Central. He was managing director of Bryant Homes Hertford.

■ Mr John Wolage has been appointed a director of H. CLARKSON AND CO.

■ Mr Robert and Mr Graham Bourne, formerly founders and chief executives of Local London Group, are joining the board of EX-LANDS as joint chief executives. Mr Christopher Parker joins the board. Mr Tim Deacon, currently chief executive, will remain on the board as a director.

REDIFFUSION MUSIC, part of BET Group, has appointed Mr Chris Ring *(above)* as managing director. He was with Spillers Premier Products.

■ Mr James Walker has been appointed managing director of SLATER HARRISON & CO, Macclesfield, following the retirement of Mr Michael Daintry Harrison, who remains a director and consultant. Mr Walker was financial director.



Mr Hamish McPhie *(above)* has been appointed group finance director on the board of MOLINS from April 1, succeeding Mr Ernest Burton. Mr McPhie has held senior posts in Babcock International, BTR, and GBE International.

■ Mr John Hudson has been appointed director of technical services at BAKER TILLY.

■ Mr Barry Campion has been appointed a non-executive director with BENSONS CRISPS. He is chief executive of Monarchy Foods.

■ Mr Philip Whitehead, managing director of Normond Instruments, and chairman of CGF Automation, two group subsidiaries, has been appointed to the main board of MICROLEC GROUP.

■ THE LIFE ASSOCIATION OF SCOTLAND has appointed Mr R.W. Gibson as group development manager.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

[illegible]

Abtrust Management Ltd (1200)H

18 Queens Terrace, Aberdeen AB9 1QJ

[illegible]

Brown Shipley & Co Ltd—Contd.

[illegible]

Brycourt Unit Tst Mgmt Ltd (1400)F

[illegible]

Buckmaster Managmt Co. Ltd (1200)H

The Stock Exchange, London EC2P 2JT

[illegible]

Burrage Unit Tst Managmt Ltd (0905)F

117 Fenchurch St, London EC3M 5AL

[illegible]

CCF Foster Braithwaite UT Mngt (1100)F

1 White Hart Yard, London SE1 1NX

[illegible]

CCL Unit Trusts Ltd (1400)F

[illegible]

CIBC Unit Tst Managers plc (1200)H

[illegible]

CIS Unit Managers Ltd (1000)F

PO Box 105, Manchester M60 0AH

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chge.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	52.26	53.03	56.55	-0.90	0.30
(Accum Units)	5	53.78	54.57	58.20	-0.93	0.30
European Opps	5	78.58	79.01	84.26	-0.67	0.00
(Accum Units)	5	79.01	79.44	84.75	-0.67	0.00
Far Eastern Opps	5	135.58	135.58	144.91	+0.54	0.00
(Accum Units)	5	136.37	136.73	145.83	+0.55	0.00
Golden Opps	5	45.09	45.09	48.09	-0.15	0.00
(Accum Units)	5	46.38	46.38	49.47	-0.15	0.00
Intl Hi-Yield	5	59.92	60.36	64.37	+0.02	4.28
(Accum Units)	5	65.52	65.80	70.17	+0.02	4.28
Sanyo Japan Tst	5	63.79	63.79	68.03	+0.71	0.00
(Accum Units)	5	63.79	63.79	68.03	+0.71	0.00
Kangaroo	5	31.57	31.57	33.66	-0.16	1.54
(Accum Units)	5	31.75	31.75	33.86	-0.19	1.54
Oriental Income	5	33.85	33.86	36.11	-0.09	5.18
(Accum Units)	5	38.43	38.47	41.02	-0.10	5.18
Pacific Technology	5	60.81	60.81	64.28	-0.21	0.00
(Accum Units)	5	61.31	61.31	64.80	-0.21	0.00
Tiger	5	156.21	156.21	166.61	+0.50	0.67
(Accum Units)	5	158.64	158.64	169.21	+0.51	0.67
UK Hi-Yield	5	43.00	43.00	45.85	+0.13	4.99
(Accum Units)	5	49.16	49.16	52.43	+0.15	4.99
UK Opps	5	53.78	56.52	60.44	+0.29	0.70
(Accum Units)	5	58.52	61.50	65.77	+0.26	0.70

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

	Init Chge.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Portfolio	6	91.21	92.93	98.86	-0.43	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing—12 Noon Historic

OTHER UK UNIT TRUSTS

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	142.6	144.2	—	3.26

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP Mar 14	256.5	269.0	—	4.00

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mangd Exempt Mar 15	101.41	107.99	—	3.85
(Accum Units)	102.03	108.65	—	3.85

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
TR Exempt European	1178	1194	—	1.51
TR Exempt Nth Amer	1016	1031	—	3.37
TR Exempt Pac Basin	896	908	—	0

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd
AA Friendly Sy Mar 9 — 149.31

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Barclays Life Assur. Co Ltd
252 Romford Road, London E7

Black Horse Life Ass. Co Ltd

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 393539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	102.3	107.7	+0.3	−
Managed Growth	139.9	147.3	−0.9	−
Managed Opportunity	143.1	150.7	−1.0	−
NFMC Target Financial	99.8	105.1	+0.5	−
Pension Funds				
Managed Cautionary	107.2	112.9	+0.3	−
Managed Growth	144.0	151.6	−0.9	−
Managed Opportunity	145.2	152.9	−1.4	−
WMC Target Mngd Pen	1503.7	1582.9	+6.1	−

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	221.0	232.6	......	−
Managed Prospect Fund	186.3	196.2	......	−
Pens Managed	289.3	304.6	......	−
Pens UK Equity	334.0	351.6	......	−
Pens Overseas Equity	417.3	439.3	......	−
Pens Property	159.9	168.4	......	−
Pens Fixed Interest	169.0	177.9	......	−
Pens Index Linked	142.2	149.7	......	−
Pens Deposit	191.9	202.0	......	−
Harvester & P.R.P.				
UK Equity	146.0	153.7	......	−
Overseas Equity	149.4	157.3	......	−
Fixed Interest	115.5	121.6	......	−
Property	133.1	140.2	......	−
Index Linked	129.2	136.0	......	−
Deposit	133.1	140.2	......	−
Managed	145.8	153.5	......	−
With Profits	136.2	143.4	......	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	339.9	357.8	+0.3	−
UK Equity	432.6	455.4	+1.4	−
Overseas Eq	362.4	381.5	−1.8	−
American	270.6	284.9	−4.2	−
Far East	371.8	391.4	+4.0	−
Property	220.2	231.8	......	−
Fixed Int	208.2	219.2	+1.4	−
Indexed Gilt	134.3	141.4	+0.3	−
Deposit	161.1	169.6	+0.1	−
Pension Fund (Accum Units)				

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
UK Managed Initial		115.0	......	−
Property Initial		165.9	......	−
Money Initial		79.3	......	−
Special Market Initial		137.3	−0.4	−
Japan Equity Initial		96.0	+1.5	−
North American Initial		84.1	−1.2	−
Pacific Initial		80.2	−0.2	−
Technology Initial		97.5	+0.6	−
Nat Resources Initial		58.6	−0.2	−
European Initial		108.6	−0.2	−
Residential Prop Init		103.7	......	−
Swiss Equities Initial		36.6	−0.3	−
Hong Kong Initial		50.3	+0.2	−
UK High Inc Eq Init		68.0	+0.1	−
Int Fixed Interest Init		49.0	−0.1	−
Int Managed Init		57.0	−0.1	−
HIP Managed Init		114.0	−0.2	−
HIP Managed II Initial		98.8	......	−
Broker Funds				
High Performance	75.8	79.9	−0.3	−
Towerhill Mngd Fd Acc	52.8	55.6	+0.6	−
YRA Executive Fd	92.7	97.7	+0.1	−
£ Global Growth Acc	130.5	137.6	......	−
£ High Income Money Acc	111.4	117.7	......	−
IM Balanced		56.3	−0.2	−
H.F. Speculator Fd		159.0	−0.6	−
PEP Accum II		124.8	−1.0	−
PEP Cautionary		87.4	−0.1	−
AAPS Int Man Fund		120.5	+0.1	−
Andrews-Gross Inv Port		101.9	......	−
Individual Pension Funds				
UK Equity Acc	221.2	233.4	+0.4	−
UK Fixed Interest Acc	171.3	180.8	+0.9	−
Intl Equities Acc	253.4	267.3	−1.0	−
UK Managed Acc	181.1	191.0	......	−
Property Acc	208.3	219.8	......	−
Money Acc	137.1	144.7	+0.1	−
Special Market Acc	277.3	292.6	−1.1	−
Japan Equity Acc	194.3	205.0	+2.9	−
North American Acc	131.3	138.6	−2.2	−
Pacific Acc	196.8	207.7	−0.8	−
Technology Acc	162.2	171.1	+1.2	−
Natural Resources Acc	116.2	122.6	−0.3	−
European Acc	145.5	153.5	−0.3	−
Residential Prop Acc	114.0	120.3	......	−
Swiss Equities Acc	37.9	40.0	−0.3	−

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Atlas Fund						
Global Cap Portfolio		£	2.360	2.503	[illegible]	0.25
United States Portfolio		$	2.399	2.545	[illegible]	0.55
[illegible] Portfolio		£	1.089	1.155	[illegible]	11.16
Cont Europe Portfolio		DM	4.396	4.661	[illegible]	0.45
Europrivg Portfolio		£	1.092	1.157	[illegible]	–
Japan Portfolio		$	0.779	0.827	[illegible]	–
Pacific Portfolio		$	2.626	2.781	[illegible]	1.00
Gold Portfolio		$	2.293	2.431	[illegible]	0.35
UK Growth of Income		£	1.162	1.233	[illegible]	2.90
Sterling Gilt Portfolio		£	0.909	0.963	[illegible]	5.00
Global Bond Portfolio		$	1.884	1.996	[illegible]	3.50
Dollar Portfolio		$	2.061	2.062	[illegible]	7.50
Yen Portfolio		¥	0.928	0.917	[illegible]	2.20
Sterling Portfolio		£	1.033	1.094	.....	6.40
Midland International Circuit Fund SICAV						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
UK Growth		£	1.001	1.062	[illegible]	–
European Growth		£	1.075	1.140	[illegible]	–
Japan Growth		£	1.008	1.069	.....	–
Pacific Growth		£	1.007	1.069	.....	–
Nth American Growth		£	1.019	1.081	[illegible]	–
UK Fixed Interest		£	1.008	1.069	.....	–
Multicurrency Bond		£	1.008	1.070	[illegible]	–
UK Stg Liquidity		£	1.009	1.070	.....	–
US$ Liquidity		$	1.044	1.108	[illegible]	–
Morgan Grenfell UT Mgrs/Deutsche Bank						
Representative for IIM, Luxembourg						
20 Finsbury Circus, EC2M 2UT 01-826 0626						
Eurorenta		DM	78.56	80.90	+0.1	–
DM Rarenta		DM	114.57	115.80	+0.1	–
Dollarrenta		$	48.21	49.70	.....	–
Nomura Global Fund						
UK dealing agent National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 8080						
Asia Pacific P'folio				$8.28	.....	–
Royal Trust Assetmix Fund						
41 Avenue de la Gare L-1611, Luxembourg 352 489 061						
Equity Funds						

	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3,280	3,913	.....	–
New Generation Fd. $	$20.36	20.57	.....	–
Japan Index Alpha	Y11,408	11,572	.....	–
Jap Sector Rotation	Y9,189	9,327	.....	–
Strongbold Asset Mngmt (Guernsey) Ltd				
Tech and Comm.	£13.81	14.65	.....	–
Pacific Basin Fd.	$110.65	117.64	.....	–
Western European	$18.69	19.90	.....	–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.26	1.33	-0.02	–
Hi Yield Bond	63.6	66.9	.....	13.3
Internat. Spec. Sits.	50.7	53.3	-0.3	–
[illegible] Fd.	78.9	82.9	-1.6	–
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$698.29	.....	–
Fixed Income Shares		$903.96	.....	–
Wellington Fd Mngrs (Guernsey) Ltd				
Intnl Growth Fd.	$13.41	14.08	.....	–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mrtz Growth		$13.29	+0.2	–
Yamaichi [illegible] Fund		$8.07	+0.18	–
Yamaichi CB Plus Fund		$8.30	-0.02	–
Thai Inv Fund		$11.66	.....	–

JERSEY (**)

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Irish Fund Managers (CI) Ltd				
Sterling Currency Fd.	£14.4186		.....	–
Managed Currency Fd.	$33.7159		.....	–
Do Sterling Equivalent	£21.1567		.....	–
Ecu	Ecu12.7079		.....	–
Irish Gilt Fd.	I£186.9004		.....	–
Intl Managed Dollar	$23.4634		.....	–
Intl Managed Bond	I£21.1169		.....	–
Barclays Intl Funds				
Currency Funds				
Sterling	£17.48		+0.02	13.8
US Dollar	$28.51		-0.01	6.9
Deutschemark	DM48.94		+0.01	7.7

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

DUBLIN (**)

OFFSHORE INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Nomura Prudential Fd Pt II				
NAV Mar 23	$12.02		-0.15	–
Nomura Prudential Global Portfolio				
NAV Mar 23	$13.43		-0.23	–
Nomura Rosenberg Alpha Fund Mark II				
Portfolio A: NAV	$13.11		.....	–
Portfolio B: NAV	$10.13		.....	–
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr257.0	258.0	.....	–
Low Risk Fund	DKr200.0	201.0	.....	–

	Bid Price	Offer Price	+ or -	Yield Gross
Tudor BVI Futures Ltd				
NAV March 21	$6075.69		.....	–
Tyndall International (Bermuda) Ltd				
American Special Sits.	$44.78	47.03	-0.36	–
Capital Protection Mar 22	$10.32	10.83	.....	–
Commodity Mar 22	$26.03	27.33	.....	–
Eurobond	$27.37	28.79	+0.12	–
Money Mar 23	$34.31	36.04	+0.01	6.04
Mortgage Mar 22	C$13.67	14.35	.....	–
North American	$37.71	39.61	-0.41	–
Overseas	$28.16	29.58	-0.26	–
.....				
DM Fd BOPUPs	DM9.87	9.88	.....	–
DM Fd OPUPs	DM9.72	9.81	.....	–
Yen Fd BOPUPs	$7.44	7.45	.....	–
Yen Fd OPUPs	$9.93	10.02	.....	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst.	$12.26	13.02	.....	0.84
Japanese Warrants	$7.36	7.80	.....	–
Asian Warrants	$9.37	9.93	.....	–
European Warrants	$9.58	10.15	.....	–
Wells Fargo U.S. IT Fund				
NAV Mar 22		$9.65	.....	–
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$0.9985	.....	–
Xiphias Int ECU		Ecu1.0023	.....	–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$22.42	.....	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Cafcash Deposit Fd.	14.98	–	15.84	3-Mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	14.95	–	15.81	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX 01-236 1425				
Call Fnd.	14.97	11.71	16.08	6-Mth
7-day Fund	15.03	11.76	16.14	6-Mth
Special Fund	14.86	–	16.35	Mth
Dollar	7.00	5.40	7.45	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc.	13.50	10.56	14.64	Qtr
Mth Int Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Mth Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-629 6602				
OMNIA (£2,001+)	14.78	11.57	16.265	Mth
MICA (£2,001+)	13.90	10.88	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN 01-625 7000				
2,000-9,999	13.738	10.750	14.922	Qtr
£10,000+	14.058	11.000	15.280	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH 01-601 6746				
Money Mkt Cheque Acc.	13.6	10.64	14.91	Mth
Barclays Capital Advantage Account				

UNIT TRUST NOTES

WORLD STOCK MARKETS

US MARKETS (3pm)

[illegible]

CANADA (3pm)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

INDICES

NEW YORK

DOW JONES	Mar 22	Mar 21	Mar 20	Mar 19	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2695.72	2727.93	2738.74	2755.63	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.64	90.52	90.43	90.30	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1156.78	1171.94	1179.05	1179.23	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.90	214.98	215.79	216.66	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2734.01 (2759.60) Low 2674.32 (2718.24)

STANDARD AND POOR'S	Mar 22	Mar 21	Mar 20	Mar 19	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	335.69	339.74	341.57	343.53	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	389.56	394.23	396.45	398.80	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.60	28.16	28.35	28.60	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	184.70	186.82	187.71	188.66	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	360.48	363.15	363.42	364.12	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	434.51	439.30	440.08	442.91	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 16	Mar 9	Mar 2	year ago (approx.)
Dow Industrial Div. Yield	4.00	4.08	4.26	3.70
	Mar 21	**Mar 14**	**Mar 7**	**year ago (approx.)**
S & P Industrial div. yield	3.05	3.09	3.09	3.21
S & P Indl. P/E ratio	14.97	14.80	14.74	12.84

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Morgan (JP)	6,071,500	34¼	− ⅞
Western Union	2,923,100	⅞	− ¼
Navistar Intl	2,355,900	4	− ⅛
Am Express	2,306,100	26¼	− 1
ICI ADR	2,295,100	72½	+ ⅞
Varity Corp	1,978,700	3⅛	− ⅛
Beverly Ent	1,789,500	4½	+ ⅛
Boeing	1,753,100	71¼	+ ¼
Ford Motor	1,747,700	48⅛	+ ⅞
Philip Morris	1,660,200	38⅞	− ⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 22	Mar 21	Mar 20
New York	178.376	138.990	179.347
Amex	12.690	12.162	11.754
NASDAQ	146.217	131.083	142.223
Issues Traded	1,962	1,956	1,977
Rises	358	588	598
Falls	1,194	873	881
Unchanged	410	495	498
New Highs	10	20	49
New Lows	76	47	38

CANADA

TORONTO	Mar 22	Mar 21	Mar 20	Mar 19	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3176.70	3226.84	3252.39	3287.07	3919.2 (1/9/89)	2921.03 (23/2/90)
Composite	3705.00	3735.84	3744.60	3772.13	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1902.28	1923.58	1929.86	1937.54	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Mar 23	Mar 22	Mar 21	Mar 20	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1567.4	1566.6	1587.7	1596.0	1781.8 (29/8/89)	1402.9 (7/4/89)
All Mining (1/1/80)	820.6	816.2	825.8	833.0	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	677.69	686.67	694.44	699.85	703.29 (19/3/90)	219.5 (3/1/89)
BELGIUM						
Brussels SE (1/1/80)	6138.98	6117.46	6134.38	6068.60	6685.20 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	(c)	376.58	377.38	376.96	388.32 (5/2/90)	225.49 (27/2/89)
FINLAND						
Unitas General (1975)	637.9	638.0	638.5	637.0	815.0 (18/4/89)	598.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	516.08	515.35	517.72	529.26	561.6 (11/10/89)	417.6 (4/1/89)
CAC 40 (31/12/87)	1937.40	1914.11	1937.18	1925.39	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	809.90	814.82	813.81	802.52	814.82 (22/3/90)	535.76 (27/2/89)
Commerzbank (1/12/53)	2359.3	2371.9	2368.7	2334.7	2371.9 (22/3/90)	1595.7 (27/2/89)
DAX (30/12/87)	1932.12	1918.98	1937.99	1906.83	1939.43 (5/2/90)	1271.70 (13/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2974.16	2958.87	2926.92	2900.03	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1749.49	1746.23	1752.89	1764.20	1878.39 (22/1/90)	1360.64 (18/1/89)
ITALY						
Banca Com. Ital. (1972)	671.18	679.00	682.95	682.93	734.84 (31/8/89)	577.49 (13/2/89)
JAPAN						
Nikkei (16/5/49)	30372.16	29843.34	(c)	30807.19	38915.87 (29/12/89)	29843.34 (22/3/90)
Tokyo SE (Topix) (4/1/68)	2286.99	2173.17	(c)	2273.18	2884.80 (18/12/89)	2173.17 (23/3/90)
2nd Section (4/1/68)	3664.99	3700.81	(c)	3854.18	4284.66 (9/2/90)	2774.36 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	598.82	597.38	603.16	601.36	622.20 (18/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tl.Rtn.Gen. (End 1983)	254.8	253.7	255.1	254.4	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	195.5	194.6	195.7	195.2	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	824.19	821.78	825.81	830.79	845.40 (16/3/90)	447.17 (3/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1115.46	1135.60	1160.70	1117.80	1396.26 (20/11/89)	[illegible]
SINGAPORE						
SES All-Singapore (2/4/75)	432.40	429.87	429.64	428.19	443.34 (6/2/90)	308.87 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2031.0	2003.0	2029.0	2143.0	2254.0 (12/12/89)	1251.0 (15/2/89)
JSE Industrial (28/9/78)	3005.0	3010.0	3023.0	3049.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	843.79	845.96	849.91	849.98	1007.80 (1/4/89)	[illegible]
SPAIN						
Madrid SE (30/12/85)	259.88	264.60	265.72	267.12	328.43 (12/9/89)	[illegible]
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(c)	1148.40	1147.30	1136.20	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	745.8	752.8	760.4	759.3	829.1 (5/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	10628.29	10978.15	11257.32	11447.55	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	809.13	796.50	792.19	786.45	908.67 (5/1/90)	386.73 (3/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(c)	478.6	486.6	491.3	571.0 (4/1/90)	[illegible]

**Saturday Mar. 17: Taiwan Weighted Price: 11504.74 Korea Comp Ex. 858.13

♦ Subject to official recalculation.

‡Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

مكتبة الأصل

WORLD STOCK MARKETS

AMERICA

Dow halts losing streak after Japanese gain

Wall Street

A RALLY on the Tokyo stock market helped US shares to turn moderately higher after three consecutive losing sessions, *writes Janet Bush in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 11.71 higher at 2,707.43 on slow volume of 85m shares. On Thursday, the Dow fell 32.21, partly in response to weakness in Japanese equities.

The US stock market was also helped by resilience in the Treasury bond market which jumped about ½ point at the opening after the release of a weak set of US durable goods orders figures for February. Although bonds came off their earlier highs as the Japanese yen finally managed to claw back some ground against the dollar, prices were still quoted a little higher at midsession. The benchmark long bond was ½ point higher for a yield of 8.47 per cent.

US durable goods orders rose 3.3 per cent in February following a record decline of 10.7 per cent in January. Analysts had expected orders to rise by 6 per cent last month. More important than the headline figure was the fact that non-defence capital goods fell 5.7 per cent following the 13.7 per cent drop in this category in January. There was also a 0.4 per cent decline in order backlogs, the first monthly fall since August 1989 and only the second decline since early 1987.

Overall, the figures suggested that the manufacturing sector of the economy remains weak, which was good news for bonds. Economic weakness is not a positive sign for equities, but the stability in the Japanese market counterbalanced this. The rise in US stock prices, however, was moderate. At one stage in the morning session, the Dow was 16 points higher but it could not sustain these levels.

Among blue chips, IBM fell $1⅛ to $105. Industry executives were reported as saying the company had told customers that it would not deliver an upgrade to its line of mainframe computers this year.

Boeing added $1⅛ to $72⅞. The company said that it planned to lay off some workers and that it proposed to double the number of authorised common shares to 600m.

UAL, the parent company of United Airlines, jumped $5⅛ to $157⅛ after the company modified a standstill agreement with Mr Marvin Davis, the Los Angeles investor, which gives him clearance to buy its shares. The UAL board said on Thursday that the new offer by Condor Partners and the airline's unions had serious deficiencies.

Litton Industries gained $1⅝ to $73⅛ after the company authorised the buy-back of up to 2.5m common shares or about 10.4 per cent of its outstanding shares.

Oregon Steel Mills added $1⅜ to $33¼. The company said that it had been selected to provide about 220,000 tones of pipe for the Kern River gas pipeline project.

Pinnacle West Capital added $¼ to $13⅝ after regulators released it from further obligations to its former Merabank thrift subsidiary.

Canada

RUMOURS THAT the Japanese would issue Samurai bonds denominated in US dollars, reinforcing the dollar's status as a safe haven, battered gold shares and erased early gains in Toronto by midsession.

The composite index slipped 4.6 to 3,700.3 on volume of 10.6m shares. Declines led advances by 239 to 200.

Among gold shares, Lac Minerals dropped C$⅛ to C$14¼ and Placer Dome fell C$⅜ to C$21⅛.

The US durable goods figures boosted the bond market and lifted blue chips.

ASIA PACIFIC

Sharp final rally caps week of uncertainty

Tokyo

THE STOCK market staged a sharp rally in the last hour yesterday, following a day of volatile trading heavily influenced by continuing uncertainty about equities, bonds and the yen, *writes Stefan Wagstyl in Tokyo.*

The Nikkei index soared 700 points in the final hour to end 528.82 higher at 30,372.16. This was its first increase in five days and left it 6.9 per cent lower on the week.

Prices had swung widely for much of the day as investors tried to judge whether equities had at last hit bottom after a decline, since the beginning of the year, of about 24 per cent. Many fund managers were waiting to see whether Tuesday's increase in the official discount rate would at last stabilise the yen on the foreign currency markets.

However, the yen remained weak, closing in Tokyo Y0.24 lower against the dollar at Y155.07. Traders said although investors were wary of buying dollars heavily, following the US currency's recent surge, there was little interest in yen.

Bond prices edged higher, to the benefit of the equity market. The yield on the benchmark 10-year bond, the 119th issue, was 7.215 per cent.

Yesterday's rally was selective, with advances outnumbering declines by a modest 522 to 418. Turnover in the first section was low at 600m shares. The Topix index of first section stocks gained 33.82 to 2,206.99, a smaller percentage gain than the Nikkei. The second section index fell and, in London, the ISE/Nikkei index rose 28.83 to 1,668.20.

Mr George Nimmo, equity sales manager at SBCI, a Swiss-owned broker, said the most positive feature of the late rally was that investors had bought stocks sensibly, seeking export-oriented companies which might profit from the week yen.

High-technology shares such as Kyocera, TDK, Pioneer Electronic and NEC performed well. Stocks with fortunes closely tied to the domestic economy, including chemicals companies and Mitsubishi Heavy Industries, suffered.

Traders said there was no sign of the co-ordinated support buying by large Japanese broking houses and institutional investors which appeared on Thursday when the market was at its weakest.

In Osaka, volume hit a record 573m shares, well above the previous high of 431m on February 12, 1987. The figure was inflated by a high number of book-keeping transactions carried out by institutions. The OSE average rose 64.73 to 31,497.65.

Roundup

ENTHUSIASM remained strong in Hong Kong, Australia was subdued before its elections, and New Zealand fell to a two-year low in a mixed day for the regions.

HONG KONG stayed in a bullish mood, as share prices made further gains in active trading. Good corporate results, particularly from the Jardine group, and a belief that the market had been over-pessimistic recently lay behind the Hang Seng index's 3 per cent rise on the week. The index added 25.49 to 2,974.16 as turnover grew to HK$1.66bn from HK$1.47bn on Thursday.

Optimism about next week's results from the Cheung Kong Group boosted Cheung Kong (Holdings) 30 cents to HK$11.30 in the most active trading.

AUSTRALIA was steady in thin trading before today's national elections. The All Ordinaries index rose 0.8 to 1,567.4, a drop of 1.1 per cent on the week, while turnover fell to 90.5m shares valued at A$153.5mm from 92m shares and A$206m on Thursday.

NEW ZEALAND hit a two-year low in small volume as investors awaited the results of Australia's national elections. The Barclays index fell 7.77 to 1,718.53, its lowest level since February 1988.

BOMBAY continued to rally after Monday's budget, with state-owned investment institutions re-entering the market. The index gained 18.54 to 757.76, for an advance of 6.6 per cent over four days.

SINGAPORE was encouraged by Tokyo's late recovery, with institutional buying pushing the Straits Times Industrial index up 15.51 to 1,585.42, finishing the week 0.9 per cent higher.

THAILAND passed the 800 level on the Bangkok SET index as international investors looked to place money outside the volatile Japanese market. The index added 6.63 to 803.13, a 2 per cent rise on the week, in turnover of 1.78bn baht compared with about 1bn baht a few days ago.

TAIWAN retreated further as selling by institutions prompted small investors to follow suit. The weighted index fell 349.86 to 10,623.29, for a 7.6 per cent decline on the week.

SOUTH AFRICA

TRADING WAS thin and cautious in Johannesburg yesterday, but shares rose slightly after the previous two days' falls. Gold shares rallied as the bullion price and the financial rand steadied.

EUROPE

Firmer bond prices lift Frankfurt

GERMANY and the Netherlands both benefited from rising bond prices and France started the new trading account in an optimistic mood. Other European markets were mixed in generally thin trading, *writes Our Markets Staff.*

FRANKFURT rose on continued strength in the domestic bond market. While a midday bout of profit-taking left the FAZ index 4.92 down at 809.90, renewed buying orders helped the DAX index rise 13.14 to 1,932.12. Volume shrank to DM9.4bn after two days of more than DM14bn.

The FAZ and DAX indices closed the week with rises of 2.1 and 2.2 per cent respectively, and the market went better still in after-hours trading yesterday. In a strong steels sector, Hoesch, which closed DM11 higher at DM343, put on another DM5 to DM348 in the after-market.

Volkswagen went ex rights after the close, where it was priced with the rights at DM15 and the shares at DM600, an effective DM8.50 higher on the official close and DM11.50 on the day.

A deeply discounted rights issue, one-for-10 at DM500, was put forward as one reason why Allianz, the insurance group which is expected to profit from reunification, put on another DM145 to DM2,886 after a DM50 rise on Thursday. In banks, Bayernhypo's one-for-10 rights issue at DM350 left it only DM2 higher at DM419, in spite of a higher dividend and profits for 1989.

PARIS began the new monthly account in good spirits, with shares rising in moderate trading. The CAC 40 index rose 28.29 to 1,937.40, but fell 1.1 per cent over the week. Turnover was estimated at FFr2bn.

Paribas continued to command attention, rising FFr39, or 5.9 per cent, to FFr700 with 681,950 shares traded, on speculation that the company was back in aggressive mood. Navigation Mixte, the object of a takeover attempt by Paribas last year, rose FFr75 to FFr2,250.

Perrier added FFr21 to FFr1,515. After the market's close, Perrier said that it was discussing the sale of its soft drinks business to Cadbury Schweppes of the UK.

Cyclicals continued to perform relatively well, with CMB Packaging gaining FFr10 to FFr179.10 on 180,050 shares traded.

MILAN was neglected by foreign investors and trading was dominated by local professionals, who took profits on blue chips which had rallied recently. Fiat declined L121 to L10,249. The Comit index fell 8.7 to 672.18, a decline of 1 per cent over the week.

In the telecommunications sector, Sip fell L36 to L1,535 following its disappointing 1989 results while second-liner Italcable fell L300 to L17,900 after announcing a share split and a bonus issue. Enimont eased L24 to L1,416 as no solution to the battle for control appeared to be in sight.

AMSTERDAM was lifted by firmer bond prices and easier money market rates, but trading was thin. Foreign investors were reported to be picking up blue chips which had been lagging. NMB Postbank rose 60 cents to Fl 48.30 and Ahold, the retailer, firmed Fl 1.50 to Fl 126.50. The CBS tendency index rose 0.7 to 114.7, down 1 per cent on the week.

COPENHAGEN saw telecommunications stocks plunge after the lifting of an eight-week suspension, during which the Government completed plans to restructure the sector. JTAS fell DKr210 to DKr200 and KTAS lost DKr52 to DKr188.

Banking shares rose on news of the central bank's decision to cut key interest rates. Privatbanken rose DKr5 to DKr265. But Baltica, the insurance-based group which announced 1989 results earlier this week, eased DKr15 to DKr553. After the bourse closed, Baltica said it was scrapping restrictions on shareholder voting rights.

ZURICH finished above its lows as Wall Street opened higher, after nervous early trading following the overnight decline in New York and worries about interest rates. The Crédit Suisse index eased 3.1 to 591.5, a 2.6 per cent decline on the week.

Trading was mostly light, with activity focused on BBC Brown Boveri, which saw its registered shares rise SFr30 to SFr1,230 after it said the previous day that it would open them to foreigners. Its bearers ended unchanged at SFr5,300 after falling SFr125.

MADRID continued to retreat, with the general index losing 3.98 to 256.41, for a fall of 4.7 per cent on the week. Banks continued to weaken, with Banesto off Pta140 at Pta8,400 and Hispano down Pta80 at Pta2,780.

VIENNA fell as investors took profits after strong gains this year. The index lost 5.40 to 717.89, a drop of 2 per cent on the week. Austrian Airlines fell Sch40 to Sch4,950 after announcing a capital increase.

The market was pleased with Creditanstalt's 41 per cent increase in net profits and the preference shares rose Sch20 to Sch6,720.

OSLO recovered on favourable forecasts for the domestic economy, but the trend was uncertain. The all-share index rose 2.29 to 633.55, but fell 2.5 per cent over the week.

ISTANBUL fell on profit-taking yesterday, with the index closing at 3,568.98, but ended 4.7 per cent higher over the week on enthusiasm for the appointment of Mr Yaman Toruner, the former head of the central bank's money markets and funds department, as stock exchange chief. Daily turnover grew to an average TL30.2bn from the previous week's TL21.6bn.

Progress fails to bring Zurich in from the cold

William Dullforce on why the foreigners stay away

THE SWISS may be forgiven if they feel some frustration over the comportment of foreign investors. Their companies have reported strong 1989 profit increases. Several, taking the more generous attitude to shareholders which the foreigners had demanded, have raised dividends substantially this year. Some have started to respond to calls for greater disclosure in annual reports.

Trading hours on the three big stock exchanges were extended this month to link with the start of operations in New York. Progress has been made in simplifying Swiss share capital structures. And at last a couple of the Swiss *multinationals, following the* example set by Nestlé in November 1988, have opened their registered stock to foreign ownership.

All this has elicited a largely unconcerned reaction from foreign investors so far this year. Ciba-Geigy's decision in February to register foreign shareholders was little more than a one-day event, as far as its effect on the chemical group's share price was concerned, and BBC Brown Boveri's announcement on Thursday that it was letting foreigners buy its registered shares has had a similarly muted response.

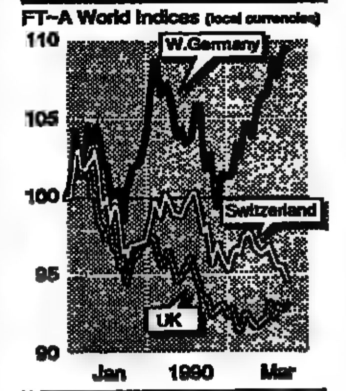
One Swiss broker complains about foreigners' total obsession with the West German market at a time when the Swiss market is showing a price/earnings multiple of 9.8 and Swiss equities are generally cheap. A foreign broker confirmed that his clients are taking a very selective, stock-picking approach. "Few of them feel compelled to invest in Switzerland."

It is rather galling for a stock exchange like Zurich, which had the fourth largest turnover in Europe in February, to see itself still regarded as a secondary market. The importance of foreign investors was demonstrated last June when, under the impulse of their buying, Zurich was, for one month, the top performer among the bigger bourses.

But the listlessness of the Swiss market over the past six months cannot be blamed solely on the stand-offish attitude of foreigners. Swiss pension fund managers, who were expected to step up their purchases of equities following changes in their investment rules last year, are currently happy enough to place their cash on the money market at interest rates above 8 per cent.

There are also more fundamental reasons for current Swiss market lethargy, the most important being concern about the inflation and interest rate outlook. The consumer price index showed a year-on-year increase of just under 5 per cent last month; it may well reach 5.5 per cent in May, when house rents are due to rise, before it starts to drop in the second half.

FT-A World Indices (local currencies)



Most economists forecast an average inflation rate of 4.5 to 5 per cent for the year. More significantly, the Swiss rate has been outstripping Germany's and, with the Swiss National Bank (SNB) determined to squeeze out inflation, Swiss short-term interest rates have been unusually high. This week the three-month Eurofranc rate was about 8.75 per cent, against 8 per cent for the EuroD-Mark.

A more direct dampening effect on the stock market comes from the fast growing number of companies announcing that they will be looking to the market for capital increases this year. Ciba-Geigy, Union Bank of Switzerland, Winterthur, BBC, Swissair and Alusuisse are all lining up.

Significantly, Swiss industrial stocks have performed much better than services since January 1. The electrical engineering sub-index – BBC, Landis & Gyr, SMH, Ascom – had climbed by 7.1 per cent by Thursday, while mechanical engineering was ahead by 1.3 per cent. Chemicals were down only 1.2 per cent and food stocks by 1.3 per cent.

In contrast, insurance stocks had slumped by 10.3 per cent, banks by 9.3 per cent and miscellaneous services, which include Adia and Société Générale de Surveillance, by 6.2 per cent. All the big banks posted solid improvements in earnings and raised dividends; investors' suspicions appear to focus on the impact on earnings of the high interest rates and the fear that commission *income will suffer this year.*

Leaving aside the possibility that Zurich and Geneva would be caught in a worldwide stock crash, current market opinion is that, under the influence of the inflation/interest rate nexus, Swiss equities will have a difficult second quarter – a sentiment that the market has already largely discounted. On the other hand, a quick poll of analysts reveals a widespread belief in a growth potential of 9 to 15 per cent for the market index over the whole year.

Foreign investors will doubtless continue to be selective. Even if they have yet to respond strongly to the opening of Ciba-Geigy and BBC registered stock, their influence is producing a gradual adjustment of the bizarre Swiss share capital structure, in which bearer shares used to trade at premiums of up to 100 per cent over registered shares.

Since the beginning of the year the bearer share sub-index has declined by 6.1 per cent, the registered by 3 per cent and that for non-voting participation certificates – which some companies have started to convert to registered stock – by only 0.4 per cent.

More speculatively, one broker at least sees more Japanese investment. The argument is that the Japanese have been buying heavily into German stocks and may have reached their limits. Among Swiss stocks, their buying has so far been almost exclusively in Nestlé; they could start looking at, say, pharmaceuticals.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MARCH 22 1990						WEDNESDAY MARCH 21 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (83)	137.35	−1.7	127.15	122.00	−1.3	5.68	139.69	129.89	123.57	160.41	128.28	138.82
Austria (19)	279.61	−1.4	258.86	247.82	−1.4	1.07	283.63	263.73	251.33	285.63	92.84	107.94
Belgium (61)	145.02	+0.0	134.26	126.61	+0.0	4.42	145.05	134.87	126.62	160.02	126.58	130.07
Canada (120)	141.70	−0.9	131.18	120.82	−0.9	3.34	142.99	132.95	121.86	154.17	124.67	133.58
Denmark (36)	254.69	+0.0	235.79	225.88	−0.2	1.42	254.80	236.92	226.21	260.82	165.35	168.19
Finland (26)	141.58	+0.3	131.02	119.96	+0.4	2.49	141.11	131.21	119.53	159.16	119.63	145.77
France (125)	149.02	−0.7	137.96	134.35	−1.0	2.82	150.13	139.60	135.65	157.97	112.57	115.21
West Germany (96)	134.16	+0.4	124.20	118.92	+0.3	1.79	133.60	124.23	118.60	137.01	79.58	83.05
Hong Kong (48)	121.25	+0.4	112.24	121.52	+0.4	4.91	120.77	112.29	121.14	140.33	86.41	129.46
Ireland (17)	185.07	−0.2	171.33	166.73	−0.5	2.52	185.38	172.37	167.49	198.57	125.00	142.26
Italy (96)	96.37	−0.2	89.21	90.38	−0.4	2.54	96.55	89.78	90.73	102.11	74.97	80.94
Japan (455)	133.57	−4.9	123.66	130.91	−4.8	0.62	140.41	130.55	136.81	200.11	138.57	183.15
Malaysia (36)	231.66	−1.2	214.46	243.57	−1.1	2.16	234.56	218.10	246.21	245.32	143.35	161.66
Mexico (13)	389.75	−0.1	360.82	1180.39	+0.0	0.44	390.10	362.73	1180.39	409.41	159.32	167.25
Netherland (43)	136.89	−0.4	126.73	119.84	−0.6	4.64	137.42	127.78	120.58	145.66	110.63	116.01
New Zealand (17)	60.83	−1.1	56.31	55.67	−1.4	6.41	61.53	57.21	56.45	88.18	60.83	70.82
Norway (24)	236.87	−0.9	219.29	212.60	−0.9	1.60	238.92	222.15	214.52	245.90	139.92	171.22
Singapore (26)	190.92	+0.0	176.75	165.50	+0.1	1.76	191.02	177.61	165.36	199.38	124.57	146.44
South Africa (60)	204.57	+1.3	189.38	170.35	−0.6	3.47	201.94	187.77	171.42	251.39	115.35	141.41
Spain (43)	141.58	−1.7	131.07	117.18	−1.6	4.58	143.96	133.86	119.04	169.75	141.56	146.49
Sweden (35)	177.48	+0.2	164.30	162.11	+0.2	2.41	177.07	164.64	161.73	208.95	138.45	156.91
Switzerland (62)	90.74	−0.5	84.00	85.20	−0.9	2.24	91.16	84.76	85.96	99.12	67.81	75.01
United Kingdom (307)	146.65	+0.8	135.76	135.76	+0.3	4.82	145.52	135.31	135.30	164.31	133.28	147.86
USA (540)	135.67	−1.2	125.60	135.67	−1.2	3.52	137.37	127.73	137.37	146.29	112.13	117.69
Europe (990)	137.80	+0.1	127.57	124.34	−0.1	3.52	137.62	127.96	124.51	146.66	112.63	118.07
Nordic (121)	188.78	+0.0	174.76	163.32	−0.1	1.91	188.79	175.54	163.40	201.89	137.95	148.70
Pacific Basin (665)	133.29	−4.6	123.39	130.18	−4.0	0.95	139.68	129.88	135.67	194.72	133.29	179.03
Euro−Pacific (1655)	135.46	−2.7	125.40	128.51	−2.5	2.01	139.19	129.43	131.77	174.18	135.46	154.67
North America (660)	135.94	−1.2	125.85	134.73	−1.2	3.51	137.61	127.96	136.39	146.66	112.79	118.53
Europe Ex. UK (683)	130.68	−0.3	120.98	117.02	−0.4	2.71	131.02	121.83	117.53	135.73	96.30	99.67
Pacific Ex. Japan (210)	129.19	−0.9	119.60	118.31	−0.6	4.97	130.31	121.16	119.07	140.05	111.93	129.59
World Ex. US (1848)	138.48	−2.6	128.35	129.02	−2.4	2.08	140.07	130.24	132.18	173.77	138.48	155.81
World Ex. UK (2081)	134.02	−2.4	124.07	130.65	−2.2	2.34	137.32	127.68	133.64	162.00	134.02	139.05
World Ex. So. Af. (2328)	134.71	−2.1	124.70	130.83	−2.0	2.57	137.64	127.98	133.50	161.84	134.71	139.81
World Ex. Japan (1933)	137.30	−0.7	127.11	131.30	−0.8	3.57	138.20	128.50	132.32	145.52	114.51	119.09
The World Index (2388)	135.13	−2.1	125.10	131.10	−2.0	2.58	138.03	128.35	133.76	162.05	135.13	139.82

Latest prices were unavailable for this edition.
Mexican prices were not updated on March 22.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	249	–2	44c	1.4	8.0	8.9
196	134	Abbey National 10p	193xd	+1	5.7	4.3	3.9	7.8
*282	120½	Allied Irish Ord	262	+3	††Q68%	3.3	3.1	13.5
£13½	£11½	Algemene Fl.10	£13¼	.....	Q28%	2.0	6.7	7.4
*85	61	Anglo Irish	85	+5	Q18.7%	2.7	5.2	11.6
81	57	Ansbacher (H.) 1p	79xd	.....	2.5	1.3	4.6	21.0
£72¼	£38¼	Bancaire Cie Fr100	£64½	+¾	Q12½%	–	2.2	–
£46½	£35¾	Banco Bilbao Viz	£37	+¼	Q35.7%	2.0	3.9	12.8
£33	£25½	Banco de Santander	£26½	.....	Q25%	2.4	4.2	9.9
*286	169	Bank Ireland Ir£1	262	+3	Q2.7%	3.2	4.4	9.0
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	121	+3	†3.8	3.6	4.2	8.7
111¼	90	Do. 9¼pc Irrd Pf	91½	+1	9¼%	–	13.5	–
*67	49	Bank of Wales	52	.....	2.8	1.6	7.2	10.9
*588	404	Barclays £1	576xd	+8	27.4	3.6	6.3	5.7
31	16	Benchmark 20p	17	–1	1.63	1.0	13.3	9.3
363	285	Brown Shipley £1	319	.....	†10.5	–	4.5	–
455	325	Cater Allen £1	410	.....	23.5	–	7.6	–
259	149	Chancery	156	+2	†8.0	2.8	6.8	6.9
£23¼	£14½	Commerzbk DM10	£23	+½	Q18%	–	2.9	–
*£29	£22¼	C'hgn.Hbk.Kr100	£24½xd	.....	Q15%	–	5.6	–
£16¾	949	Dai Ichi KBk Y50	949	–6	†Q16%	8.8	0.3	33.9
*£314¼	£156¼	Deutsche Bk DM50	£296¾	–4½	Q24%	–	1.5	–
£22¼	£17¾	Espirito Santo	£20	–¼	Q75c	3.3	2.3	13.6
260	182	First Nat. Fin. 10p	221	+1	13.0	2.4	7.8	6.8
134	90	FNFC 6.3pc Cv. Pf	113	.....	6.3%	–	7.4	–
£165¼	£12¼	Fuji Bank Y50	£12¾	–¼	Q15.6%	4.2	0.3	–
325	230	Gerrard & National	274	.....	18.5	–	9.0	–
154	118	Guinness Mahon 10p	148	.....	42.1	–	1.9	–
328	197	Hambros 20p	278	.....	†10.0	–	4.8	–
128	90	Do. 7.5pc Cv Pf	110xd	.....	7½%	–	9.1	–
60	39	HK & Shang. HK$2.50	57	–1	Q42c	–	5.7	–
495	423	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
145	115	King & Shaxson 20p	136	.....	9.25	–	9.1	–
422	277	Kleinwort Benson Grp	384	+1	16.0	♦	5.7	♦
665	521	Kyowa Bank Y50	532	+11	Q14%	4.7	0.6	30.3

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES—Contd

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ¥	81	.....
Craig & Rose £1 ¥	828	.....
Finlay Pkg. 5p ¥	57	.....
Holt (Jos) 25p ¥	1343	-2
Arnotts	450	.....
Carrol (P.J.) ¥	165	.....
Hall (R. & H.)	180	.....
Helton Hldgs. ¥	90	.....
IRG	215	.....
United Drug	165	.....

IRISH

Cap. 8½% Ln. 1991	£96	.....
9pc Cap Ln. 1996	£90¾	+½
Fin. 13% 97/02	£107½	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	83
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	40
FKI	7
FNFC	21
Gen Accident	98
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord.	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res.	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FINANCIAL TIMES
Weekend March 24/March 25 1990

Todd calls in police over ballot suspicions

By John Gapper, Labour Editor

POLICE were yesterday called in by Mr Ron Todd, general secretary of the Transport and General Workers Union, to investigate an attempt to rig elections for the union's leadership using about 9,000 stolen ballot papers.

Mr Todd asked for a police inquiry after completing his own investigation into how ballot papers stored at the union's London headquarters were used to try to corrupt the voting for the union's 39-strong national executive.

The ballot papers are thought to have been used to try to swing the vote in favour of left-wing candidates in regions including London and Merseyside, and in some of the union's trade groups covering particular industries.

Mr Todd suggested there had been an organised attempt to rig the first ballot by a group of people. Speaking on BBC Radio, he said he did not believe the misuse of spare ballot papers "could have been done by one individual."

The inquiry, being carried out by the Serious Crimes Squad of Scotland Yard, started as the second ballot of the union's 1.3m members for the executive was completed. The ballot result will be announced on Monday.

Mr Todd last night put the additional cost of a second ballot at between £250,000 and £350,000, which would take total costs for the two elections to between £400,000 and £500,000. He warned that any union member or employee responsible for rigging ballot papers would be "finished" so far as he was concerned.

The political complexion of the executive, on which a left-wing coalition currently holds a 21-18 majority, is significant for the Labour Party because the TGWU wields a 1.3m block vote at the party conference.

Mr Todd said he had first spoken to the police on March 2, and told them that he wanted them to conduct an inquiry when his own investigation had been completed.

The incident came to light when the Electoral Reform Society noticed an uneven flow of ballot papers in the later stages of the first election.

The society has taken full control of the second ballot, which was started immediately after the suspension of the first. Ballot papers will be counted over the weekend before being given to the union on Monday.

Bob Hawke: seeking to make history with fourth successive term as Prime Minister

Australian cliffhanger may depend on second choices

Chris Sherwell previews today's general election

MORE than 10m Australians go to the polls today in a cliffhanger federal election which will be decided by the preferences of swinging voters in a few marginal seats.

Mr Bob Hawke, the 60-year-old Prime Minister, is seeking a fourth successive term for Labor, a record for the party as well as a Labor leader, at a time when the economy is faltering badly.

His challenger, Mr Andrew Peacock, 51 and leader of the Liberal-National party coalition, has tried once before to oust him, in 1984, and faces political oblivion if he fails again.

At the end of a bruising five-week campaign, both sides declared yesterday they were confident of victory, while the latest opinion polls indicated that Labor's marginal lead had been eroded and the two were again running neck-and-neck.

Key newspapers were split in their recommendations: the Sydney Morning Herald and Melbourne Herald – part of the Fairfax group – yesterday backed Labor, while Mr Rupert Murdoch's Australian newspaper supported the coalition.

Labor is defending a notional 18-seat majority in the 148-seat lower House of Representatives and needs a uniform 2.6 per cent swing against it to lose. Uniformity is not expected, however.

Both parties have suffered a loss of broad-based support within a cynical electorate, and third parties – Australian Democrats, Greens and independents – will gather an unusually large share of first preferences, perhaps more than 10 per cent, in a complicated voting system in which voters must list all the available candidates and parties in order of preference.

Voting is mandatory and there is always a high number of invalid ballot papers which have been incorrectly filled in.

In a close contest where no party has an absolute majority, second and even third preferences are taken into account to determine the winner.

Second preferences will therefore be crucial. Labor hopes its policies on the environment will attract enough support from third party voters for the distribution of their preferences to take it across the winning 50 per cent line.

State-level issues will also be unusually important. Labor expects to slip back in Victoria and Western Australia because of poor performances by state governments, but expects to hold its ground in New South Wales, where there is an unpopular Liberal government, and gain in Queensland and Tasmania, where Labor recently acquired power.

The chances of independents holding the balance of power are small but real. Also up for re-election is half the 76-seat Senate, or upper house, where the minority Australian Democrats already hold the balance of power.

The main issue in the campaign has been the economy and the two parties' competence to manage it. Labor has pointed to its record of economic growth and job creation; its financial, tax and other reforms; and its successful "accord" with the trade union movement.

However it has been on the defensive over record external debt, chronic balance of payments difficulties, cripplingly high interest rates, unrelenting corporate collapses and, in prospect, recession and rising unemployment.

Mr Peacock has exploited these problems, talking of "seven years' hard Labor" and warning voters they faced "more of the same" if they backed Mr Hawke. His best hope undoubtedly lies with such exhaustion in the electorate and the desire for change.

Last weekend he went further, and tapped concerns over Asian immigration.

In their quest for votes, both sides have made lavish promises of tax cuts, new spending in electorally sensitive areas like child care, and reductions in interest rates.

Yet neither has warned the electorate of the pain still needed for Australia to overcome its problems.

If Labor wins, Mr Hawke says he will stay on as Prime Minister for a full three-year term and fight the next election. However analysts doubt whether Mr Paul Keating, his Treasurer for seven years and long keen to take over the leadership, would stay on under such conditions.

Men in the news, Page 6

Electricity bosses to have pay doubled

By Maurice Samuelson

THE CHAIRMEN of the 12 electricity distribution companies of England and Wales will have their salaries doubled to more than £100,000 a year after their companies are floated on the Stock Exchange in November.

Although the Department of Energy said yesterday that no decision had yet been made over the future salaries, it admitted that it was studying what would be put into the privatisation prospectuses on this subject.

"The prospectuses will say whatever the law requires," an official said.

The increases will take place despite the fact that few if any of their boards are thought to have achieved the Government-set profits targets in the 1989-90 financial year. They would not therefore qualify for a performance-related 3 per cent pay bonus.

The November adjustments, like those seen in previous privatisations, will be intended to reflect the much higher pay rates prevailing in the private sector than in State-owned industries.

Several distribution companies have already been offering private sector-related salaries to recruit finance directors and other commercial staff to sharpen their competitive edge after privatisation.

In some cases, the pay for the new recruits is believed to exceed that of the directors who are hiring them.

Most of the electricity chairmen are in their late 50s or early 60s.

The salary rises will offer them an early prospect of fatter retirement pensions if, as expected, some of them yield to younger successors soon after privatisation.

At present, the 12 chairmen are paid an average £56,000 a year, ranging from £51,000 for the South Wales chairman to the £67,000 a year earned by his London Board colleague.

The individual adjustments will be made after flotation by the remunerations committees to be set up by the companies' incoming directors.

In the first year after the privatisation of British Steel, the salary of its chairman, Sir Robert Scholey, rose from £133,000 to £172,000.

In 1984, when British Telecom was floated, Sir George Jefferson was on a salary of £84,000. That rose by £60,000 a year later and in 1988 he left with a "golden handshake" of £900,000.

THE LEX COLUMN

Counting the votes on sterling

The markets ended the week in better shape than the Conservative Party. The Mid-Staffordshire result had obviously been discounted, as had the rise in February's underlying inflation figure to 6.2 per cent. Following Thursday's reasonable trade figures, it was possible to construct a rosy economic scenario which even explained Mr Major's budget inertia. All the special factors, such as mortgage rises and excise duties, drop out of the headline inflation figure in the summer of 1991. The current account deficit modestly improves and unemployment is subdued by the Chancellor's refusal to squeeze the economy too hard. Britain then joins the EMS, undermining the appeal of Labour's economic policies. Thus all the indicators are good for an election in autumn 1991, and dealing with the inevitable resurgence of inflation and the trade deficit can be left to a new Tory administration in 1992.

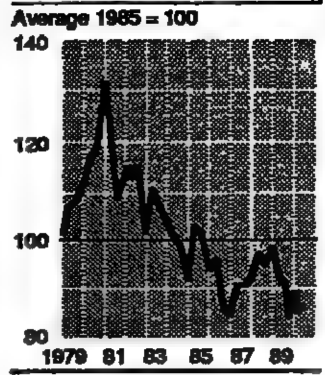
The flaw in this argument could be the pound. Currently it is surviving rather than thriving and if the markets get bored with the yen, they may decide to turn their full attention to selling sterling. At that point, the Government could enter a vicious circle of declining popularity and rising interest rates.

For the moment, equity markets are cautiously optimistic on the back of a good results season, give or take the odd exception such as Cookson. The big companies have avoided both lower profits and equity issues – although the news on both counts from smaller companies is still bad. But equity traders will be keeping a nervous eye on the pound, at least until the May local elections.

FT Index rose 17 to 1,798.1

Sterling Index

Average 1985 = 100



Laing Properties

If Laing Properties were a pure UK property company, it would be hard to take seriously the 31 per cent rise in its fully diluted net asset value. One does not have to be a property expert to realise that the bull market in UK property is over, making valuations more than usually difficult to judge. However, over half of Laing's assets are in North America, where the market is stronger, and Laing's net asset growth has been so pedestrian in the past that its performance may well lag the rest of the industry on the way up, as well as on the way down.

Since P and O/Chelsfield launched their joint bid back in February, the market has moved in their favour. Long-term interest rates have risen by another 100 basis points and the discounts to net asset value of many of Laing's competitors have widened to over 40 per cent. Nevertheless, Laing's defence document has ensured that the 650p per share offer is going to have to be raised if the bid is to succeed. Indeed, the worry is that the gulf between what the bidders think is realistic, and what Laing's charity shareholders will accept, has probably widened now that Laing has come up with a 910p net asset value. Yesterday's rise in the Laing share price suggests the market belief that the gap can be bridged. It could well be misplaced.

Art investors

The next two months contain a couple of events on the international financial calendar which will indicate whether the rest of the world has reason to worry about the sharp drop in the Japanese financial markets. The first is the regular US Treasury quarterly refunding: the second is the New York art auctions in mid-May. Given the recent performance of the US bond markets, it could well be the art markets which have most to lose from the absence of the Japanese.

The bond markets have held up surprisingly well in the face of the recent sharp slowdown in Japanese overseas investment. However, the Japanese are believed to account for over half the world art auction business. In just four years to 1988, their art imports jumped six-fold to £1.3bn. It is one thing for collectors like Mr Alan Bond to have to withdraw from the art market. If Japanese investors stage a quick retreat, it is hard to imagine what would happen to some of the fancy prices paid recently. In some respects the art market is not much different from the Tokyo stock market. It has seemed grossly overvalued for a long time; in addition, the increasing practice of the auction houses to guarantee minimum prices in order to get new business looks like one of those practices which will not survive the next bear market.

Cadbury

Cadbury's apparent intention to buy Perrier's soft drinks business (mineral water excepted) seems a sensible extension of its French ambitions. Perrier has wanted to sell ever since it looked like losing the Pepsi franchise, which Pepsi wants to reclaim in line with the worldwide desire by drinks manufacturers to gain control of their own distribution. It is not clear how many brands are involved, or how much money: less than £200m, certainly. But the deal could double Schweppes's French turnover and would be an exemplary extension of international branding in the Europe of 1992. General Cinema, in particular, will be glad to hear that it will not involve a cash call on shareholders.

Aquascutum

The row at Aquascutum perfectly illustrates the evils of two-tier voting systems. A raiding party wants to enfranchise the non-voting shares; the directors, who hold a majority of the voting shares, want compensation for the voting class if control is lost. In a clever move, the raiding party has proposed that the company be wound up and reformed with a new share structure; all shareholders are entitled to vote on a winding-up motion. The dispute has inevitably fallen into the hands of the lawyers, who can happily argue over the precise terms of the Articles of Association and of Section 110 of the Insolvency Act.

Aquascutum needed a shake-up. The board cannot be accused of being over-zealous in its drive to keep shareholders informed. The last interim statement devoted just 89 words to explaining a 24 per cent fall in profits and gave no details of the interest charge, which last year was only four times covered. Whatever the antecedents of the raiders, the onus is on the board and its advisers to put the company on a satisfactory footing. A deal enfranchising all shareholders would be the best solution.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
AG Ind & Verk	875	+	23
Allianz	2880	+	146
Preussag	454	+	11
Falls			
Bilfinger&Berg	940	−	60
Holzmann	1410	−	50
NEW YORK ($)			
Rises			
Boeing	72⅞	+	1⅛
Litton Inds.	73⅛	+	1⅝
Oregon Steel	33¼	+	1¼
Pinnacle West	13⅝	+	¼
UAL	167⅛	+	5⅛
Falls			
IBM	105	−	1⅛
PARIS (FFrs)			
Rises			
Axa Midi	284	+	18
New York prices at 12.30.			
Compt Entr	337.6	+	30.5
Ingenico	106.5	+	9.2
Metrologie	235.8	+	16.8
Falls			
BIP	907	−	31.8
Labinal	1070	−	56.6
TOKYO (Yen)			
Rises			
Asahi Denka	1200	+	140
Ashikaga Bk	1210	+	160
Teikoku Sen-I	2140	+	390
Falls			
Kyokuyo	1360	−	300
Origin Elec	910	−	200
Tobu Store	1840	−	400
LONDON (Pence)			
Rises			
Allied-Lyons	486	+	8
BTR	446	+	13
Bass	947	+	12
Brit Aerospace	504	+	16
Brit Telecom	289½	+	5½
Dawson Intl	188	+	8
Guinness	690	+	11
Micro Focus	543	+	15
Redland	585	+	10
Reed Intl	402	+	7
Royal Ins	463	+	10
SmKline Bchm A.	510	+	13
South West Wtr	165	+	7
Standard Chart	560	+	11
Strong&Fisher	42	+	11
TSB	143	+	5
Tarmac	237	+	6
Trafalgar Hse	341	+	10
Willis Faber	281	+	9
Falls			
Cadbury Schw	321	−	7
Carlton Comm	680	−	15
Mecca Leisure	125	−	6

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	17	63	Dallas †	F	16	61	Madeira	F	19	66	Prague	F	10	50
Algiers	S	25	77	Dublin	C	10	50	Madrid	F	16	61	Reykjavik	C	-2	28
Amsterdam	S	11	52	Dubrovnik	S	16	61	Majorca	S	20	68	Rhodes	S	18	64
Athens	S	21	70	Edinburgh	C	10	50	Malaga	S	22	72	Rio de Janeiro		–	–
Bahrain	S	22	72	Faro	F	18	65	Malta	S	18	65	Rome	F	17	63
Barcelona	F	17	63	Florence	C	16	61	Manchester	F	10	50	Salzburg	C	9	48
Belfast	C	10	50	Frankfurt	S	12	[illegible]	Melbourne	S	20	68	S'Francisco †	Dr	10	50
Belgrade	S	25	77	Geneva	S	14	57	Mexico City		–	–	Santiago		–	–
Berlin	F	11	52	Gibraltar	S	20	68	Miami †	F	19	66	Seoul	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C–Cloudy, Dr–Drizzle, F–Fair, Fg–Fog, H–Hail, R–Rain, S–Sunny, Sl–Sleet, Sn–Snow, T–Thunder. † Noon GMT temperatures

Lichfield

Continued from Page 1

Defiant to the last, however, he vowed not only to return to the constituency for the General Election, if asked by the Conservative Association to do so: but to win.

"I know we will get this seat back at the next General Election," he said. "The vote for the Labour Party was purely a protest vote against the short-term difficulties that the Government is facing."

Back in Market Street, at least one Tory traitor was ready to agree with him. Mr Kevin Hazell, a 40-year-old carpenter who normally votes Conservative, said: "I only voted Labour to give Mrs Thatcher a jolt over the poll tax and to tell her she can't go on treating people like this.

"Overall, though, I think her policies have been good, and if it was a general election, I'd vote for her next time."

A conflicting message, however, came from Mr Robert Martin, 38-year-old technical director of a computer systems company, who also left the Tory camp for Labour.

"It wasn't a protest vote at all," he said. "It reflected deep concern among better-off people that Mrs Thatcher's brand of Conservatism is too uncaring. When it comes to the General Election, I'll vote Labour again."

Mrs Maria Martin, a 40-year-old model who also switched from Tory to Labour, said she did not know which way she would vote at a General Election.

"I'm not really for Labour, but Mrs Thatcher's been there for 11 years and I can't really see what she's done that's so marvellous. I think people have lost faith in her now."

So what would it take to bring Mrs Martin back into the Conservative fold? She answers without hesitation: "A new PM."

Vilnius

Continued from Page 1

the town. Yesterday a helicopter made two passes overhead.

"There are reports of new troops and manoeuvres," Mr Vytautas Landsbergis, the music professor who has found himself thrust into the hot seat of parliamentary president, told the parliament. "I suggest this is a psychological war."

And yet under the surface there is tension. It is in Lithuanians who cannot believe that there will be violence, but can never be quite sure. And it is also in non-Lithuanians who fear they may be forced to leave their adopted homeland if it really breaks away.

In Moscow, President Mikhail Gorbachev has issued resounding presidential decrees, demanding the immediate surrender of all arms in the republic, Moscow rules in all power plants, ports and factories, yet life on the ground goes on almost as normal.

The helicopter which swept over Vilnius yesterday littered the streets with President Gorbachev's latest decree, but the main excitement was the arrival of cigarettes in the kiosk.

The one hive of activity is the parliament building, where independence was declared on March 11, and the hammer and sickle torn down from the front door, to be replaced by a decoration of a Lithuanian knight on horseback.

There a government is being formed with urgent haste, yet full of well-known faces from the past (the Finance Minister has held that job since 1957) in an effort to win some international recognition for the rebellious republic. And regularly, the decrees from the Kremlin are denounced.

"Our resistance will be non-violent, civil and dignified," declares Mr Landsbergis. "His tanks are sent to take away the hunting rifles, we should not try to resist by shooting at the tanks."

The most dangerous issue for all at the moment is the mass desertion of Lithuanian conscripts from the Soviet Army – now totalling some 1,500, and facing a deadline today to return to their barracks or face court martial.

By-election

Continued from Page 1

however, the Prime Minister then added that the voters of Mid-Staffordshire had "taken their chance" to send a message about mortgage rates and about the high-level of the community charge in the constituency. "These matters are obviously of concern to us all," she added.

Publicly, ministers insisted that Labour had been the beneficiary of a temporary protest vote in Mid-Staffordshire.

Sir Geoffrey said that the Government remained firmly in control, adding that: "I think the important thing is to concentrate on ensuring the continuing success of our policy under the leadership of the present prime minister."

The scale of Labour's success – and the collapse of the centre parties signalled by the halving of the Liberal Democrat vote to 11 per cent – persuaded many ministers, however, that the Government faces an immense task to regain its position.

The 21 per cent swing to Mrs Heal compared with the general election showed that the party's shift to the centre has achieved considerable success in persuading Conservative supporters to switch their allegiance to Mr Kinnock.

Mr Jack Cunningham, Labour's campaign manager, said the by-election result confirmed a "clear shift in the political landscape." The party was now firmly entrenched in the centre as well as the left of British politics and its effectiveness contrasted with "the deception and betrayal associated with the tired and discredited Tory Government."

Ministers conceded that a revival in the Government's fortunes would be a "hard slog" and that it faced the prospect of another jolt to its confidence in the May local elections.

Weekend FT

SECTION II

Weekend March 24/March 25, 1990

Investments to meet the inflation risk

Mr Major's measures may give the advantage to borrowers, says ***Barry Riley***

A BUDGET for savers? So John Major, the Chancellor, claimed last Tuesday when he brandished a few new tax incentives. But exactly as I warned a week ago, it was an inflationary Budget which will encourage every trade union negotiator this spring and summer to aim for a minimum percentage increase in double figures.

A true Budget for savers would have mapped out an increase in the share of national income accruing to business and capital. That is what happened during the 1980s, when the share of company profits *in national income rose from under 11 to* more than 16 per cent. Instead, a squeeze on real profits is likely in the next year or two as employees maintain or even improve their real incomes at a time of sharply reduced economic growth, and possibly of recession.

One way in which this will affect investors is through a reduction in dividend growth. For several years dividends have been growing at an amazing and unsustainable annual rate of some 10 per cent in real terms. But that real growth could easily now slide to zero as nominal dividend increases fall into single figures and are matched or exceeded by inflation.

As for the common man's building society account, he has done comparatively well in recent years by earning 3 or 4 per cent net of inflation, after paying composite rate tax. But that margin is about to be eroded by the imminent surge in inflation *above 9 per cent, and higher rate taxpay*ers are faced with negative real returns.

All of this is logical enough if you view inflation itself as a kind of tax. It expresses competitive pressure for resources, when other adjustment mechanisms such as the conventional tax system or the labour market are not up to the job. The better people are at protecting themselves against inflation, the faster it has to be in order to effect the necessary transfers, so perhaps it is just as well that the defences in the UK are rather poor.

In Brazil this week the government has more or less stolen a large percentage of people's savings by freezing them for 18 months. If savers can no longer protect themselves a transfer of wealth can take place and inflation can fall.

In Britain's fortunately *less* desperate circumstances a way is being found for real wages to go up at a time when the real economy is hardly growing. The price will be paid either by companies or by savers, depending on which sector is better at defending its interests.

THE BUDGET AND YOU

How should the investor respond? Conventionally the individual hedges against inflation by investing in real assets, notably houses and equities. But there is a cyclical problem here; these assets do best when inflation may be rising but it is still low. When inflation rises much above 5 per cent the burden of paying high nominal interest rates on mortgages restrains house prices. As for equities, they become adversely *affected by high yields* on bonds (note the way that long-dated gilt returns have risen from 9¼ to nearly 12 per cent since the 1989 Budget).

So the stock market and house prices can top out several years ahead of an inflation peak. This can lead to large falls in real prices: as measured by the All-Share Index, the London stock market has now dropped by 24 per cent in real terms since its peak in July 1987. In due course there will be good buying opportunities, but not yet. London house prices, incidentally, have fallen by about 10 per cent in real terms since their late 1988 high.

At this stage the obvious domestic vehicle is the index-linked gilt. Prices of these gilts have recently been hit by the world-wide rise in real interest rates, but on real yields of over 4 per cent they are *even more attractive to buy now.* Overseas it is worth looking at international bond funds, which again have taken a pasting recently, but which will turn up before the equity markets and meantime offer a hedge against further sterling weakness.

Short-term sterling deposit accounts, however, are rather more vulnerable. This is precisely where the bulk of mobile personal sector savings is placed, apart from the still larger amounts tied up inaccessibly in pension funds and life assurance contracts. Deposits are vulnerable in two respects. First, as I have already pointed out, there is no tax relief in respect of inflation. Second, because these deposits are matched against variable rate mortgages there is an effective cap on nominal rates, based on the maximum burden which homebuyers can be asked to bear.

In the old days the cap was determined by the building society cartel, which held down rates below market levels and was content to tolerate a mortgage famine when new deposits dried up. In 1980, for instance, the deposit rate never went above 10¼ per cent for the standard rate payer, although inflation hit 22 per cent.

But in today's competitive credit markets the decision-making power has effectively shifted to the Government. John Major will make a political decision on whether interest rates will rise further. If he judges that the pain for homeowners would be too great he will refuse to increase rates, sterling will weaken, inflation will go up another notch or two, and the real losses inflicted upon savers will represent part of the inflationary transfers within the economy. It will have become a Budget for borrowers after all.

All the same, just think: it is a lot worse in Brazil.

■ How you should react to the Budget: Pages III-VI

'One round-trip ticket to Hell, please'

Kevin Brown *braves boiling heat, freezing cold, British Rail catering, Serbo-Croat guards and the Gorgon in a trial by train travel*

I CALLED her the Gorgon. She was East German, built like a punchy middleweight, and looked as though her idea of a good time might be rebuilding the Berlin Wall – single-handed. She was also my host for the eight-hour rail trip from Prague to Vienna.

The train was mostly Czech, shabby but serviceable in its mud-green livery. But, in one of those oddities that only train buffs understand, the sleeping car had come from East Germany – with the Gorgon in charge. If you have never seen an East German sleeping car, you should keep it that way – unless you like walls of stiffened cardboard, loose fittings that threaten to brain you during the night, and blankets that could have come from the pre-war era.

Czech railways take a British attitude to timetables, and the train wheezed and clanked out of Prague half an hour late. Rattling through the darkened suburbs, I made my big mistake. Horrified by the state of the East German lavatory, I left the carriage in search of a usable Czech version. When I got back, the Gorgon had locked the connecting door to the sleeping car and retired to her lair for the night.

I found the Czech conductor at the other end of the train and explained, in frantic pantomime, what had happened. He explained, in similar dumb show, that there was no way of contacting the Gorgon. Stiff upper lip beginning to flag, I slumped in an empty second-class carriage where the temperature was falling towards zero because of the broken heating, consoling myself with the thought that the Gorgon would undoubtedly be incinerated in her locked carriage if the train should have the accident that seemed all too likely.

The Austrians finally rescued me at 4 am, when their border guards entered the train and forced the Gorgon to open the locked doors and let me in. I finally got to sleep at 5, waking when we reached Vienna at 8. I jumped from the train unwashed and unpacked, fearful of being carried off somewhere I didn't want to go. It was the final indignity. Vienna is a terminus, and the train was not going anywhere.

It was all part of a round-Europe rail odyssey I thought would be a delight.

My route took me east from Galway – on the west coast of Europe's most westerly country – and through the UK to Belgium, Holland, Germany, Switzerland and Czechoslovakia before turning south for Vienna, Budapest, Belgrade and Athens. Then it was north-west for Rome, Paris and Dover – in all, 6,500 kilometres through 13 countries in 10 days via 23 trains and four ferries. On the whole, taking one thing with another and trying to be scrupulously fair, it was Hell.

The author G.K. Chesterton once said that the only way to be sure of catching a train was to miss the one before it, but my train from Galway to Dublin started 10 minutes *behind* schedule. It, the station and the manually-operated signal box were as old-fashioned as the warm Guinness already being downed in the wartime-style station buffet. But fellow travellers said this was not typical of Iarnród Éireann (Irish Railways), which boasts new trains on its Dublin/Cork route, and plastic cafeterias in many stations. The Sealink ship *St Columba* made the crossing to Holyhead on schedule in four hours, in spite of a force nine gale and a heavy sea.

Back in the UK there was a pleasant surprise. The 01.15 Irish Mail from Holyhead to London not only left, and arrived on time, there was even a steward to show passengers to their small but adequate sleeper compartments. He was also fairly civil in spite of having HATE tattooed on his hand.

No amount of civility, however, could prepare one for the Hogarthian scene at Euston station when train arrived at 05.58. Two or three refreshment stalls were open, but the main station buffet stayed closed until 7am, although several overnight trains arrived before then. There was nowhere to sit on the station, so the concourse was littered with tired travellers sitting on the ground. Around them milled drunks and vagrants, gently shepherded by few bored policement. At one snack bar I bought an expensive cup of tea and shared the narrow counter with a drunken Scotsman and a man with bad sight, for whom the Scotsman slurred the menu.

It was a very British scene, but one which must shock foreigners unfamiliar with Britain in the 1990s. Mercifully, the London Underground was working properly and four stops on the Victoria Line took me to Victoria station for the 07.45 Channel Train to Dover. The cafeteria was open but dirty, with apathetic, unhelpful staff and cardboard food. The station toilets were virtually unusable – stinking and heavily vandalised. The Channel Train was old but serviceable, and made only a few of those inexplicable halts in the middle of nowhere which so plague rail travel in Britain.

I have little to report about the trip through Western Europe, which was as it should be. Railways should get you where you want to go quickly and without fuss, and the governments of most EC states have made sure they do just that.

'The author G.K. Chesterton once said that the only way to be sure of catching a train was to miss the one before it'

From Dover, the route is by fast and efficient jetfoil to Ostend – where you know you are on the Continent because there is a rude waiter in the cafeteria – and then by Belgian and Dutch trains, clean but rather spartan, to Tilburg, and Deutsche Bundesbahn (West German Railways) to Cologne, where I arrived on time at 19.23, a mere 32 non-stop hours after I left Galway.

In the morning, the 08.04 Leonardo da Vinci was going all the way to Milan, but I took it only as far as Stuttgart, where I changed to the Barbarossa express for Zurich. Scenically, this run along the Rhine Valley was a highlight of the trip, with a lowering schloss on almost every hilltop. Zurich looked oddly shabby in the winter gloom, and the haphazard rebuilding at the station would do credit to British Rail.

My last train of the day was to Munich, arriving seven minutes late at 23.11 after 15 hours of travel. German railways have a high reputation, largely because they usually arrive on time. But although the trains are solid and comfortable they are very slow. The good time-keeping is probably accounted for by allowing plenty of slack in the timetables, but no-one seems to mind.

Next day, the 08.32 took me to Nuremburg for the 10.55 for Prague, which started 20 minutes late. I shared my carriage with a Czech/American couple from Washington state who escaped via Yugoslavia and Italy in the 1960s. We discussed the fall of communism as the train rolled through disconcertingly prosperous-looking Bohemia. In Prague, there was time for a stroll around Wenceslas Square. Enthusiasm for the revolution was still high, especially among the hippies gathered in the railway station who passed the hours singing Dylan and the Beatles.

I will draw a veil over any further discussion of the trip from Prague to Vienna, since the memory is painful. Suffice to say that breakfast in wonderful capitalist Vienna was one of the best one and a half hours of my life.

Expecting a further ordeal, I boarded the blue and white Hungarian Railways train for the four-hour trip to Budapest with a sinking heart. But the train was a joy – clean, efficient and staffed by friendly, caring stewards. I had a splendid meal and a bottle of ferocious Magyar wine for a few pounds, and we even arrived on time in beautiful, imposing, shabby Budapest.

It was not to last. The 15.45 from Budapest to Belgrade was one of the shoddiest trains I have seen, with broken seats, disgusting toilets, no buffet car, and no heating – for a nine-hour trip through the January snows. The freezing journey seemed endless, enlivened only by the ejection from my first class carriage of two Russian tourists with second class tickets.

To my surprise the train arrived on time in Belgrade at just after 22.00 hours, 37 hours from Munich. I crawled into bed at a hotel having handed over fistfuls of dollars to a grasping taxi driver. But Belgrade looks better in the morning sunshine, and I even met a poet – the French/Yugoslav writer Milojko Milisavljevic – in a café near the station. He told me he returns to Yugoslavia often from his home in France, always by sleeper from Paris. No doubt he makes sure he catches a French train.

By now I was disorientated by discomfort and lack of sleep, and I almost missed the 13.30 Athens Express, partly because Belgrade station appears to be without a train indicator board. It is difficult to find the right platform if your Serbo-Croat is rusty. When I finally found it, the train was stuffed with local passengers, and I could not move for fear of losing my seat. By the time the train cleared, the buffet had closed and I knew this was going to be another disaster. I was saved by a diet of sweets fed me by a kindly Yugoslav family.

Thomas Cook, which had booked my tickets, had advised asking the conductor for a sleeping berth. This proved impossible because of the lack of a common tongue. Sign language merely convinced him that I was mentally defective. I gave up and settled into my seat. The heating broke down at the Greek border at midnight and was not restored until after the train reached Thessaloniki at around 5am. Then it was turned on full blast as we headed south into the Greek sunshine and the train filled with passengers for Athens. The journey took 25 hours and was unspeakably awful. Avoid it.

At Athens I crossed the footbridge to the Peleponnese station for the train to Patras, from where ferries leave for Italy. The train was old and would have made a dodgem car look stable, but the route – across the Corinth Canal and along the Gulf of Corinth – must be one of the great railway journeys of the world, especially with a winter sun dipping below the mountains. The train was half an hour late at Patras, but it did not matter because the Adriatica Line ship which should have taken me to Brindisi had collided with the harbour wall on the way in – an occupational hazard in these parts. The passengers were switched to a Greek ship, with a maximum of harassment and a minimum of organisation, but the worst was over.

The overnight journey was my first chance for sleep since Belgrade. At Brindisi the ferry docked on the wrong side of the port and there was a seven-hour wait for the overnight sleeper to Rome. From Rome the route took me along the Mediterranean coast of Italy to Marseilles (and a small race riot, courtesy of Jean Le Pen's National Front thugs), then via Nimes to Lyon, the Train à Grand Vitesse to Paris, and then Boulogne and Dover, interrupted only by a 10-hour ferry crossing during which we tossed around in the Channel in a force 11 gale and were unable to dock at Folkestone.

Broadly speaking, the trains

Continued on Page XVII

CONTENTS

MARKETS

FINANCE & THE FAMILY: THIS WEEK

The Budget: how to make the best of it

John Major, the Chancellor of the Exchequer, unveiled his first Budget on Tuesday and claimed it was a Budget "for savers and givers." On **pages III to V**, Finance & the Family writers examine the implications of his changes and show how the small investor can best respond.

PAGE III: Alfred and Susan Jones have widely differing views on Mr Major's moves. *Terry Dodsworth* eavesdrops over the breakfast table to find out **how one family wins and loses.** Plus *John Edwards* gives **a summary of the Budget** and lists its main points.

PAGE IV: *Sara Webb* reports **on the attractions of Tessa,** the new no-risk alternative to Peps, and *Peter Riddell* draws a parallel with similar savings schemes in the US. *John Edwards* analyses a surprising **boost for personal equity plans** and gives a qualified welcome to a big change for small savers: **the abolition of composite rate tax.** *Eric Short* reports on **implications for the unit trust industry.** *Heather Farmbrough* finds two items in Major's speech that could be *to the benefit of* **Business Expansion Schemes** and *Kevin Goldstein-Jackson* gives **a private investor's view.**

PAGE V: *Richard Waters* reports on one of the biggest changes affecting the small investor: **the abolition of stamp duty on share transactions.** *Sara Webb* looks at two very welcome concessions: **tax breaks for donations to charity** and **tax breaks for child care in the workplace.** And *David Cohen* examines the significance of **changes to Employee Share Ownership Plans.**

Minding Your Own Business

Fishy businesses: **Jane McLoughlin** finds two entrepreneurs making a healthy living from trading in fish — the fresher the better. **Page VIII**

Units trust sales still lagging

February's unit trust sales figures still present a gloomy *picture for the industry. The Unit Trust Association reported* this week that net new investment, at £303.5m, showed some recovery from January's poor figure of £129.9m. Gross sales continue to be satisfactory, amounting to £951.8m last month — the sixth successive month when sales have exceeded £900m. But unit cash-ins also remain at a high level, even though last month's figure of £648.3m was significantly lower than January's cash-in figure of £772.1m. Investors are reacting to dull markets and cashing-in their units resulting in a 40,000 drop in the number of unitholder accounts last month. *Eric Short*

BAT profits rise above £2bn

Shares in BAT Industries eased back after this week's figures, despite a 24 per cent increase in pre-tax profits to just over £2bn and a 49 per cent rise in the dividend. The share price decline came from about from profit-taking after a steady rise earlier this month. BAT, now considering the acquisition of a building society to add to its financial services activities, was reporting for what is expected to be the last time in its present shape.
A series of demergers, launched in the wake of the attempted takeover bid by Sir James Goldsmith's Hoylake consortium, are now under way, and will see the company slim to two main activities in tobacco and financial services. *Terry Dodsworth*

British Gas shares transfer plan

British Gas, a company with an army of small shareholders following privatisation, is planning to simplify share transfers between husbands and wives. The move follows *the introduction of independent taxation for married women,* which will encourage the transfer of assets between spouses so that each can use his or her tax allowance *more effectively.* Shareholders can arrange transfers simply by filling in forms provided by the company. The service is free and there is no stamp duty. *T.D*

Gross interest savings scheme

The Halifax Building Society is launching a high street investment service that will pay gross interest to savers *able to deposit £50,000 or more. All Halifax branches will be* able to offer instantaneous interest rate quotes for these time deposits from Monday, for terms of between one and 12 months.
The Society says that its present time deposit service is sold mainly to companies and has not been sufficiently flexible to be marketed to the public. But it now sees an opportunity for extending the system because of the introduction of independent taxation for married women, which has created a need for savings paying interest gross. On Friday morning, the Halifax was quoting rates of 15 per *cent for £60,000 tied up for one month,* 15.5 *per cent for six* months, and 15⅝ per cent for a full year. *T.D*

Shares 'discount political risk'

The UK stock market has not yet taken full account of the possibility of a change of government, according to Scottish Mutual, the Glasgow-based life assurance company. In its latest news letter, the company warns that the equity market has further to fall on the grounds of political risk *alone. It says that stockbroker research has focused too* closely on recessionary issues and corporate profitability in attempting to judge future market performance. *T.D*

Capel launches US index fund

James Capel is launching a UK index fund next week to complete its existing range of index funds covering the US, European, Japanese and South East Asian markets. The minimum investment for the UK index fund will be £1,000. *There is an initial charge of 5.25 per cent and an annual* management charge of 0.5 per cent. *Sara Webb*

LONDON

Tessa and Sylvia take the bouquets

THE WEEK belonged to Tessa, Sylvia and, on the Tokyo Stock Exchange, hysteria.

Someone in the Treasury, perhaps the Chancellor himself, must claim credit for Tessa, a *tax-exempt special* savings account which proved to be the media star of Tuesday's Budget. Sylvia Heal, on the other hand, partly owes her sweeping victory for Labour in Thursday's Mid-Staffordshire by-election to Someone in the Conservative Party.

The City did not find Tessa quite as alluring as John Major, Tuesday's other media star, might have hoped. To analysts who would prefer him to go down as the Chancellor with a talent for economics, rather than acronyms, Major's first Budget seemed frustratingly lenient on inflation.

Here was a Government which in every recent statement of economic intent had repeated its commitment to the battle against inflation, apparently shirking the chance to send, at the least, a strongly-worded telegram to the economy. "It does not seem too unfair to conclude that an opportunity was missed," was a typical extract from brokers' Budget circulars at the end of this week.

But the cricket-loving Chancellor did have more than the England team's success in the West Indies to cheer up his weekend when the market closed yesterday. Equities were surprisingly sanguine this week, in spite of turbulence in the Tokyo stock market, which was troubled by the Bank of Japan's tightening of monetary policy on Monday. Once again, the FT-SE 100 index ended the week higher than it began, up 19.8 points at 2283.7.

The immediate background to Tuesday's Budget made the speech's neutral tone — and the market's subsequent resilience — all the more surprising. On Tuesday morning Major had to absorb the gloomy currency message that sterling had plunged to a record low against the D-Mark — DM2.715 — on Monday night.

The pound had recovered by yesterday to DM2.7422 — down just over 1 pfennig on the week — but only because the Bank of England provided foreign exchange dealers with a supportive shoulder to cry on in Wednesday's post-Budget depression.

Labour's majority of more than 9,000 at Thursday's by-election was enough to demonstrate that this Budget will have, at best, a delayed effect on the Conservatives' electoral fortunes, if it is felt at all.

Much of that political uncertainty was already in the equity market — after all, it could be more than two years before the next general election, as defensive Tory ministers kept insisting yesterday — and sharp tightening of monetary or fiscal policy in this Budget would have hit stocks and shares harder.

But gilts are still weak, and equity investors have yet to take analysts' concern about the widening reverse yield gap (gilt yields minus equity yields) to heart. Moreover, big pay awards from retailers J Sainsbury and Marks and Spencer this week will have renewed fears about pressure on inflation.

But investors apparently preferred to watch domestic economic figures and enjoy further reports of firm profits from large British companies, rather than worry about turmoil in Japan, inflation, or currency weakness.

Footsie recovered almost all of Monday's 25.9-point fall on Budget day, rising 21.7 points. Wednesday saw a more considered reaction to the previous day's speech, with both sterling and equities under pressure, but Thursday's announcement of an improvement in the UK's trade deficit — from £2bn in January to £1.4bn in February — seemed to be enough to restore ebbing confidence.

The positive mood was taken up more widely yesterday, helped by the expected announcement of a slight fall in the annual inflation rate, although underlying inflation rose. The retail price index dropped from 7.7 per cent in January to 7.5 per cent last month, and Footsie rose 24.8 points on the day.

Large companies reporting this week have bolstered investors' confidence with some strong increases in profits in spite of the unsympathetic economic climate, but they have also answered to a couple of general rules. British groups are likely to survive — even flourish — provided they do not rely on UK earnings; and high levels of borrowing are a heavy millstone even for the largest companies.

IMI, the metals group, reported a 16 per cent increase in its 1989 pre-tax profits on Monday. Its position as a mechanical engineer linked to British manufacturing industry would seem to militate against such growth, but the company said strong overseas earnings had offset the downturn in the UK.

In other sectors, RTZ, the mining group, saw its profits rise to more than £1.1bn, against £879m in 1988, and Guinness — which makes more than 80 per cent of its profits outside the UK, pushed up profits to £691m before tax, a rise of 33 per cent. BAT Industries, meanwhile, made a mighty £2.04bn before tax last year, against £1.64bn in the previous year, but has already spent some £56m on the continuing defence against the bid from Sir James Goldsmith's Hoylake consortium.

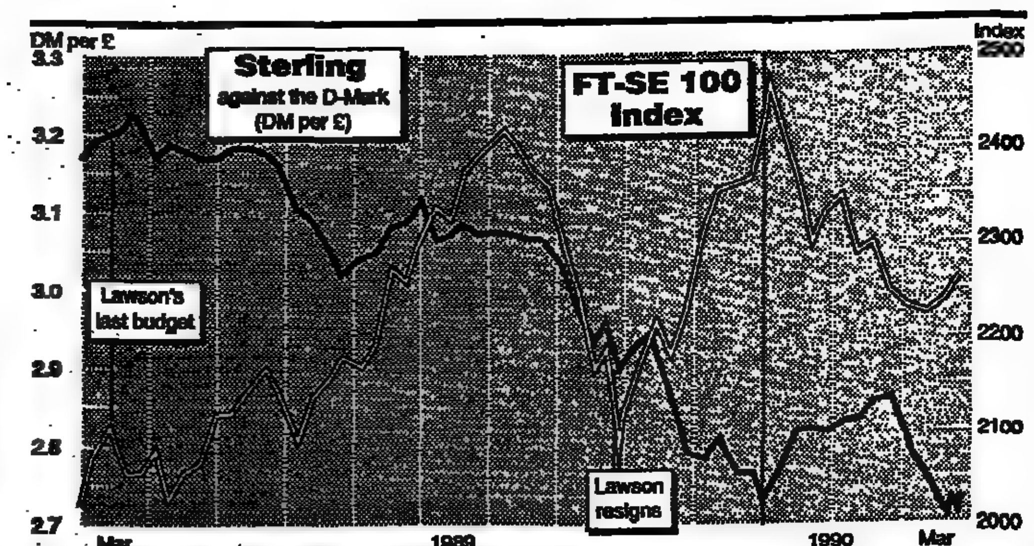
This week did see the first significant disappointment from a Footsie stock, when Cookson Group, the specialist industrial materials company, announced a meagre 3 per cent increase in pre-tax profits for 1989, held back by higher interest charges. The geographical breakdown of the group's business, supplying a range of industries, is sometimes taken as a gauge of economic and industrial fortunes worldwide. Operating profits in the UK were down 14 per cent, with other geographical areas more resistant, and the company's shares lost 34p during the week to close at 199p.

Heavy capital expenditure and a continuing acquisitions programme were behind the rise in borrowings at Cookson. Some would look to refocus their business in the face of new economic demands: British Petroleum, for example — now under the chairmanship of Mr Robert Horton — this week announced a major reorganisation, including job cuts, to save $500m a year in operating costs and position itself for the 1990s.

But other UK companies are forging ahead with expansion programmes. Hepworth, the building materials and home products group, demonstrated its confidence by accompanying Thursday's announcement of increased profits with a £155m agreed bid for a French manufacturer of gas boilers. The deal will increase Hepworth's gearing from 4 to 68 per cent.

Even the depressed property sector is attracting followers, it seems: someone is in bid talks with London & Edinburgh Trust, the development company built up by the Beckwith brothers. LET's shares ended the week up 33p at 166p, after a sparse statement on Thursday. The whole group is worth about £294m.

Andrew Hill



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989/90 High	1989/90 Low	
FT-SE 100 Index	2283.9	+20.0	2463.7	1782.8	Cautious response to the Budget.
Britannic Assce.	592	+35	644	319	Better-than-expected dividend.
Calor	277	-28	454	277	County NatWest 'sell' note.
Carlton Comms.	680	-45	958	662	Patents dispute continues.
Cookson	200	-33	384	198	Lower-than-expected profits.
Grand Metropolitan	596	+34	658	425	Analysts to visit US division.
HTV	105	-9	136	85	Warning on trading conditions.
Highland Distilleries	207	-13	261	135	Increase in spirits duties.
Isoped Intl.	176	+86	176	55	Mr Brian McGowan takes 5% stake.
Laporte	582	+35	582	356	Improved profits.
Lon & Edinburgh Trust	166	+33	178	116	Bid talks.
Racal Telecom	356	-17	557	184	American selling.
Turriff	296	+20	392	246	Preliminary profits up 34%.
Wellcome	712	+34	795	400	BZW review of Retrovir AIDS drug.
Yellowhammer	46	+11	213	33	Woolham agency takes stake.

WALL STREET

The lessons from Japan

WHATEVER happened to the great, seamless global financial market? By Thursday last week, Japanese equity prices had collapsed more than 20 per cent. Tokyo has just experienced a kabuki version of Black Monday.

A couple of months ago, Wall Street analysts would have insisted that the instant transmission mechanism now operating in the world financial market would guarantee a comparable collapse in stock prices worldwide. Instead, as this column suggested a month ago, US and European investors have mostly thumbed their noses at Japan's troubles and concentrated on pushing their own stock markets towards new records. Now, however, investors on Wall Street must ask themselves two questions:

Have the events of the past two months really ended the concept of an integrated worldwide market ruled broadly by common passions and economic trends; and, if global forces are going to reassert themselves, how long can the present decoupling between Japan and the rest of the world last?

The simplest answer to both questions is that the equity meltdown in Tokyo has been a case of international linkages re-establishing themselves, after a period of unsustainable divergence between Japan and the rest of the world. From this point of view, the real surprise has not been the recent collapse of Tokyo equity prices. What had to be explained was Japan's ability to maintain a bull market for two years after the golden age ended for the rest of the world in summer 1987.

The foreign exchanges are the main conduit which brings financial flows together, and this is the place to look for clues about Tokyo's past performance and the more recent shift in worldwide investment conditions. If we date Black Monday as the start of the divergence between Japanese and US equity prices, then one factor stands out as a possible explanation of the continuing bull market in Japan. After Black Monday, the Japanese currency strengthened abruptly from Y147 to the dollar to Y121. And from the end of 1987 until the middle of last year, the dollar-yen exchange rate remained remarkably stable in the range of 121 to 135.

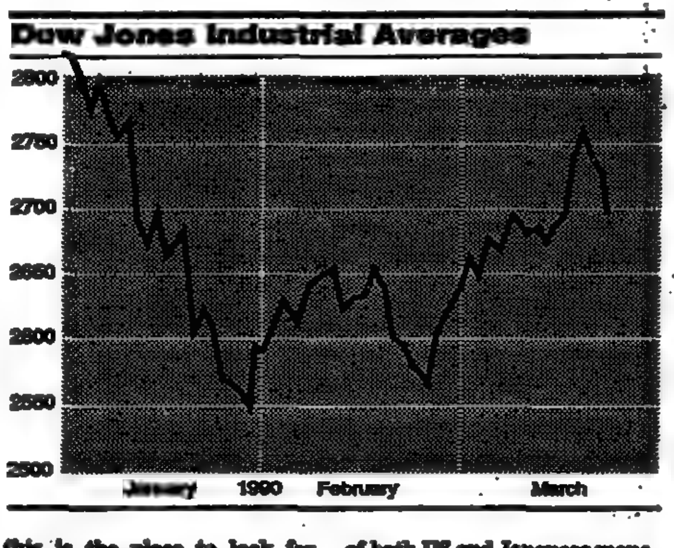
One of the main objectives of both US and Japanese monetary policies during those 18 months after Black Monday was to preserve the stability of exchange rates. Around the middle of last year, however, conditions began to change. On one hand, the yen began to weaken, as Japanese capital outflows went on growing while the country's trade surplus started to shrink. At the same time, word began spreading from Tokyo that the Ministry of Finance was having second thoughts about the desirability of the strong yen exchange rate.

While an exchange rate of Y120 to Y130 was helping to reduce Japan's trade surpluses and making US industry more competitive, it was also having some detrimental political side effects in the US. By making it so cheap for Japanese companies to buy US businesses, the strong yen seemed actually to be whipping up the protectionist sentiments it was designed to suppress.

Once doubts began to spread about the government's long-term intention to keep the yen rising, the main incentive to retain money in Japan disappeared. For if the yen was not expected to appreciate, there could be no reason for accepting much lower interest rates or much higher price earnings ratios in Japan than in other financial markets. The pervasive consequences of this change in expectations have only recently sunk in.

These consequences were uncomfortable — not only for Japanese investors who would have to live with much higher interest rates, but also for US industrialists who would need to compete against a persistently undervalued yen.

The chances are, therefore, that both the Japanese and US governments' attitudes will change back towards the encouragement of a strong yen and weak dollar. Indeed, this could happen as early as this weekend, when the two countries' finance ministers meet privately in California. If that occurs, a strong recovery in the Tokyo stock market can probably be expected and Wall Street will doubtless bow the head in sympathy.



Monday	2755.68	+ 14.41
Tuesday	2738.74	− 16.89
Wednesday	[illegible]	− [illegible]
Thursday	[illegible]	− [illegible]

Anatole Kaletsky

JUNIOR MARKETS

In sickness and in wealth

CHAMPIONS of the National Health Service reforms may be thin on the ground but there can be few doubts about the enthusiasm of Bioplan, which joined the USM this week.

Bioplan is a pioneer of "partnership" deals, which were endorsed in the Government's white paper on the health service. It builds small private hospitals or day surgery units adjacent to existing NHS hospitals, buys some NHS services (like pathology and pharmacy) and shares facilities like renal dialysis and anaesthetic units.

On the face of it, this might seem like putting back the clock to the days of pay beds, which were phased out by a former Labour health minister, Barbara Castle, in the 1970s. Not so, according to Peter Townsend, Bioplan's executive chairman who used to be a NHS administrator and has developed a number of private hospitals now owned by BUPA, the health insurance group. "It is not privatisation by the back door," he says. "It is a tremendous coming together of the public and private sectors."

He believes that partnership deals inject new resources and facilities into the NHS system. Between 35p and 80p of every £1 spent by Bioplan goes into the NHS while the shared facilities, which are funded partially or completely by Bioplan, often are out of the NHS's financial reach. The six facilities that are up and running generate an estimated £3m a year for the regional health authorities involved.

Bioplan owns three completely independent hospitals but Townsend considers that the partnership concept is an improvement from everyone's viewpoint. "The criticism of the private sector was that they took staff and resources. This is putting them back in."

Unlike independent hospitals, partnership hospitals do not waste consultants' time by taking them off the site. Also, says Townsend, they do not drain the NHS of trained nurses. Bioplan offers the same rates of pay as the NHS although it has more flexibility on hours. It also gets clear advantages from the deal. Consultants' existing private patients are likely to be admitted to the Bioplan hospitals, so reducing the time usually taken by private hospitals to *build up occupancy levels.* In addition, access to NHS intensive therapy units and specialist medical support means that Bioplan can perform more complex operations than most private hospitals.

When Townsend originated this concept, there was a certain amount of scepticism. "The independent *private* sector said it would not work because the NHS would not work with us," he says. It took 18 months to sign the first deal (with Oxfordshire health authority). Now, it has signed eight such agreements and plans four more a year. The idea has gained in popularity generally and Bioplan is tendering against other health-care groups such as AMI and BUPA.

Another Bioplan project is "graduated care." It is building a £5m development in Kidderminster, Hereford and Worcester, consisting of 91 apartments, restaurants, recreational facilities and a dedicated nursing unit so that residents will be able to tailor the programme of nursing care they need. They can also buy an insurance scheme that will cover them if their care charges should increase above a contracted minimum.

Bioplan hopes to collaborate with health authorities to develop some less expensive graduated care developments that would be rented out at £250-£300 a week.

Founded in 1982, Bioplan derived its early income from consultancy services. In 1988 and 1989, it made pre-tax profits of £148,000 and £706,000 respectively.

Bioplan, which is advised by Gilbert Eliott and ANZ McCaughan merchant bank, has decided to join the market by reversing into Cooks Industries, a troubled mini-conglomerate which had its shares suspended a year ago, and raising £14.3m by a rights issue.

It is taking this course partly because it felt that the markets were *too* volatile to stage an offer for sale, and partly for historical reasons. When the company was founded, Cooks took a stake in the company — as did Hillsdown Investment Trust, James Gulliver Investments, Sir Philip Harris and Rosehaugh.

Since Cooks ran into trouble most of its subsidiaries have been sold, so the company — which has a blue-chip list of investors — *is virtually a shell.* Under the terms of the merger it is valued at £3.7m, while Bioplan is valued at £11.4m.

As Bioplan is shunning the new issue route onto the market, would-be investors will probably have to wait for shares until dealings start. However, Hoare Govett's Richard Churchman feels the launch will still generate considerable interest.

"The one spectre hanging over the company is the possibility of a Labour government reversing the deal," he says. But he counters by arguing that this is offset by Bioplan's strong position as the first and leading company in partnership deals.

Vanessa Houlder

Berisford puts out the 'For Sale' signs

"DES. RES. for sale, probably for the last time this century. Would suit DIY buyer willing to tackle dry rot and subsidence."

Berisford International has put itself on the block. However, it is soliciting offers in a market which bears a troubling resemblance to that for residential property in London. Berisford may have hoped to prompt a free-spending auction; it is much more likely to be gazundered.

Many companies would give their sweet tooth to get control of Berisford's British Sugar subsidiary, which occupies a dominant position in the UK sugar market because of the European Community agricultural regime.

But to get its hands on British Sugar now, any buyer would also have to take on board a raft of other investments. Taking into account Berisford's known debt, liabilities exceed the realisable value of the non-sugar businesses, which include financial services and commodity trading as well as property.

"The great question," says David Lang of Henderson Crosthwaite, "is how big is the black hole?"

The answer will go a long way towards determining the eventual buyer of Berisford and how much it has to pay. After jumping to 149p on March 9, when Berisford said it was in talks about a possible bid, its shares had drifted back to 134p by Friday.

To a large extent this reflects the disclosure this week that the other party in the talks was Tate & Lyle, British Sugar's cane-refining rival. British Sugar is worth more to Tate than to any other buyer, one reason the Monopolies and Mergers Commission blocked its previous bid in 1987.

Tate hopes that its arguments that a merger should be viewed in a Europe-wide context will be taken more seriously this time by the UK Government. Ironically, if Tate does bid, it would prefer to do so before September 1, when the European Commission assumes authority over large mergers. Tate fancies its chances in the corridors of Whitehall more than in Brussels, where the political weight of continental beet growers and processors would be brought to bear.

But Tate, miffed that Berisford apparently leaked its involvement in talks which had been solicited by the target itself, has signalled that it is not going to be bounced into an early bid and is certainly not going to over-pay. It has begun an independent probe of Berisford's troubled New York property investments.

Tony Hollingworth of CCF Laurence Prust still leans towards Associated British Foods, a 23 per cent shareholder in Berisford, as a more likely bidder.

In spite of the caution of Garry Weston, ABF's chairman, who dropped a £767m bid after the October 1987 crash, Hollingworth says: "I just can't see him walking away and letting Tate have it." ABF bought its present stake in May 1987 for the equivalent of 117p per share, not the canniest investment Weston has made. ABF has the advantage of a £1bn-plus cash pile, easily enough to buy the remaining 77 per cent.

If Tate wanted to avoid a rights issue and smooth the way over regulatory objections, it could agree to divide British Sugar with a partner, say, CSM of the Netherlands, Générale Sucrière of France or Archer Midland Daniel of the US. When Tate mooted this idea in 1987, however, it was turned down by the Monopolies Commission and it is not actively examining it at present. Moreover, splitting British Sugar would reduce its main attraction, the UK monopoly on beet processing, and thus its value.

The question remains: what price will be sufficient to win Berisford? Marcus Darville of County NatWest WoodMac sees a range of 157p to 206p per share, depending on pessimistic or optimistic estimates of British Sugar's value and disposal proceeds. He believes the maximum cash exposure in New York is £129m.

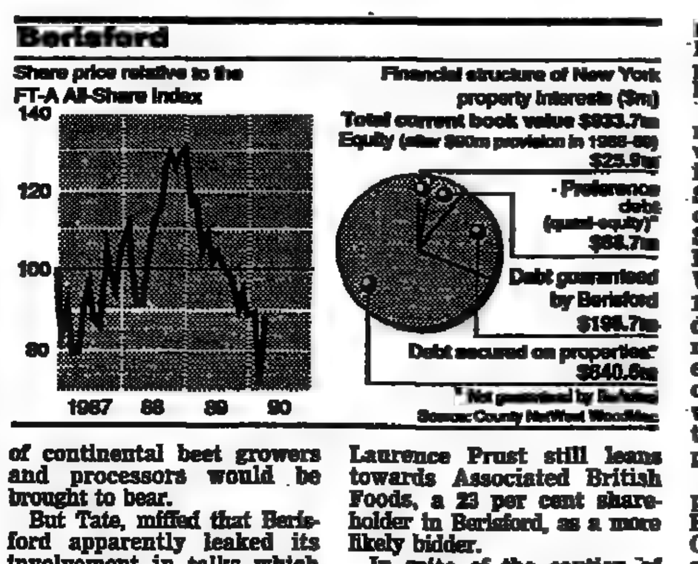
Henderson Crosthwaite's Lang is more cautious: "To put a value on it on the basis of the balance sheet and discussions with the company is a bit questionable. Most of the surprises that have come out of the company in the past seven or eight years have been negative."

Indeed, most analysts would be surprised to see an offer above 150p or 160p, and even that might be stretching it if Tate's structural survey revealed more faults than the would-be vendor had chosen to disclose.

The possibility remains that Berisford, like any seller unhappy with the offers it receives, will take itself off the market and get on with the task of repairing the damage. That would enhance the value of British Sugar to present shareholders and its ultimate price to anyone else.

"It's surprising how often people wait until a company cleans itself up and bid then," says Darville. But to get the keenest deal, Tate or another suitor will have to drive a hard bargain now and trust in the diligence of its investigations.

Clay Harris



FINANCE & THE FAMILY – THE BUDGET

Terry Dodsworth eavesdrops as banker Alfred Jones and his wife wrangle over the Budget

When Alfred met Susan — and argued

ON THE morning after the Budget, Alfred and Susan Jones were behaving true to form. At 6 am Alfred stumbled downstairs, bleary-eyed and befuddled, trying anxiously to pull his thoughts together for the morning meeting at his bank in the City. As usual, Susan was already scuttling around the kitchen, alert as the thrushes bouncing across the lawn.

"If I'd got your constitution, Susan, I reckon I'd be managing director by now," grumbled Alfred. "I still haven't worked out exactly what I'm going to say about the Budget at this morning's conference. What do you think?"

"I'm sure you know far more about it than I do, Alfred," said Susan, sweetly. She took a certain sadistic pleasure in these morning conversations; usually, she managed to out-point her husband before he had marshalled his thoughts for the day.

"Oh, come on, Susan, give me an idea or two," growled Alfred. "I was thinking that I'd go for a bit of a contrarian view today – take the line that this was a good Budget for the country and for most taxpayers in the long run. After all, whatever the City pessimists say, Major is determined to push inflation down and, as he said, our exports are beginning to recover."

"You're such a party loyalist," said Susan, who never could resist teasing her husband about his ambitions to become a Thatcherite MP. "Once you saw all those backbenchers standing up and waving their order papers, you stopped thinking about what the Budget really meant. Now, I'm not an economist like you, so I give up on what it'll do for the country. But as far as we are concerned, I don't think it will be much of a help at all."

"Just a minute, Susan," said Alfred, irritably. "We're going to get all the benefits from independent taxation for married women, our personal allowances have gone up and, at long last, he's got rid of that iniquitous composite rate tax, as I said he would. And what about Tessa, that new bank and building society savings scheme? That's pretty imaginative, isn't it?"

Susan sighed. "All right, Alfred. I'm not saying that there weren't some good things in the speech – it's just that there's not a lot in it for you and me. Take currency, for a start. If you hadn't bought those £2,000 worth of Deutschemarks for our holiday in Germany a few weeks ago, we'd be several pounds worse off – sterling's going to take a hammering from the Budget, you know, to add to the one it's had already."

Alfred went pale. "Oh no," he said, clutching his head. "I completely forgot. I still haven't seen the foreign exchange people. How much are we down?"

Susan looked at her husband more in sorrow than in anger. "I told you to let me handle that, Alfred – you know you never really have time to organise holidays. Now, let me see. We were going to buy marks at 2.85 in mid-February, so if they hit 2.70 this week – that's the figure one of your foreign exchange dealers gave me at last night's party – we'll have lost 300 marks . . . around £100."

"You should have reminded me, Susan," snapped Alfred. "That looks like wiping out some of the gains we've made on the personal allowance."

"That's only partly true," Susan replied. She poured the coffee – the best way, she knew, of putting her husband in a brighter frame of mind in the morning. "It'll nullify your gains, but you've got to remember that I'll now get an allowance as well under the independent taxation rules."

"So there you are, Susan," said Alfred, beginning visibly to perk up as he sipped his coffee. "That's all money worth having. For 40 per cent taxpayers like me, the increase in the personal allowance is worth only £88. But your new personal allowance is going to save us a lot more. Remember I transferred all those shares on which I used to pay 40 per cent into your name. So with those, and the stock you got from your father, you'll be receiving a full £3,000 of investment income tax-free. That's worth £1,200 at the 40 per cent rate I would have had to pay on the income."

"On the other hand," said Susan, "we oughtn't to get carried away by this. After all, independent taxation was announced by Nigel Lawson last year and, as far as your own income's concerned, you're going to lose by the fact that your hero, John Major, has not raised the standard rate band at all to compensate for inflation."

"That's true," Alfred conceded. "I wonder what that's lost us? Let's see," he went on, reaching for his calculator. "If it pushed up the standard rate band by last year's inflation, it would have gone up from £20,700 to £22,294. So we shall continue to be taxed on the difference at the higher rate of 40 per cent rather than the 25 per cent standard rate – I make that around £240."

Susan nodded. "That's quite a chunk," she said. "And he hasn't increased mortgage interest relief as we'd hoped. You know, Alfred, I really think that I'm going to have to go ahead and take that job just to keep up our mortgage payments now that interest rates are so high."

"I suppose I've got to admit that interest rates are becoming a bit of a problem for us as well as the Government," said Alfred, hesitantly. "You know, Susan, I wonder sometimes if we did the right thing to gear up and move into this mansion. A couple of years ago it seemed like a great idea – probably the best savings vehicle we could find. Today, I'm not so sure."

"Now come on, Alfred, what's done is done," said Susan, firmly. "What we have to think about is how to finance the mortgage without too much strain. On that score, I must say that the thing that worries me most is that the Budget might not have done enough to stop interest rates going up again."

"I wish you'd stop making these party political points," Alfred snapped. "It's just too easy being a liberal wet like you, Susan, and criticising everything the Chancellor does. You know very well that if he'd had a tougher Budget, as many of my scribbling friends in the City wanted, it would have meant even higher taxes all round."

"Yes, you're right," said Susan.

"And some of your scribblers undoubtedly would have started screaming at higher taxes as well. But as far as we're concerned, I do think we ought to trim our running costs, despite our investment cushion. Let's start by giving up spirits – they're up by 10 per cent, I think. And then you might think about asking for a smaller company car. That BMW of yours falls in about the highest tax bracket, and it guzzles petrol."

Susan slipped this point into the conversation with the skill of a fencer making a winning thrust. She watched with satisfaction as alarm spread over Alfred's face. "Give up my 325i convertible? But I've only just been given it – and it's no more than I deserve, you know. Tom Riley's had one for at least a year."

"You know how strongly I feel about this," said Susan, sharply. "It's not just a question of money. There's also the environment to consider. In my view, the Chancellor's made the decision easy for you. He's put up petrol tax by well over the rate of inflation – a full 10 per cent – so there's a big incentive to use less fuel. And with the tax on company car benefit also going up by 20 per cent, anyone in his right mind ought to trade down."

"Oh, come on, Susan, we've got appearances to consider, you know," said Alfred, driving mentally down Magnolia Crescent and ticking off the two Jags, four Mercs and three BMWs standing resplendently outside their garages every night.

"Do as you like then, Alfred," said Susan. "But remember you're going to be paying tax of £1,240 this year on the BMW now that your taxable benefit's going up to £3,100 – all that will be eligible at 40 per cent. If you went down to a nice small car under 2,000 cc – something I could park easily, by the way – you'd be paying tax of only £600 on the £1,500 benefit."

Alfred decided to beat a retreat. "I'll think about the car " he said, promising himself privately to do no such thing. "In the meantime, Susan, we ought to be looking at our savings. After all, Major's done quite a lot for us on that score."

"Hmmm . . . I wonder," replied Susan. "It seems to me that he's done plenty for those people like your parents who've got a lot of spare cash, and he's being quite helpful to pensioners like my own mum and dad who haven't got much and prefer to save in the high street. But I don't think we'll get that much out of it ourselves."

"That's a bit unfair, Susan," retorted Alfred. "There are PEPs, the abandonment of composite rate tax, and the new Tessa scheme – and just think what he's done on capital gains now that we've both got a £5,000 allowance."

"Yes, but I'm trying to weigh up how it all applies to us, Alfred," Susan replied. "Let's take the abolition of the composite rate tax on building society and bank deposits.

"Now, I'm all in favour of it going, because I think it was unfair to levy an automatic tax that non-taxpayers could not claim back, particularly at building societies where most ordinary people find it convenient to save. But we've already reorganised our own finances to take advantage of my new personal allowance by transferring your shares into my name . . . remember? So being able to reclaim tax on our building society funds in future is of no advantage to us. In fact, the £5,000 I've got in my Whitstable and Thames Estuary society's fund stands to be taxed more when CRT is abolished – the composite rate is only 22 per cent but I'll now be taxed at my standard rate of 25 per cent."

"That's a good point, Susan," Alfred admitted. "So perhaps you should be using the Tessa scheme. That's what I was thinking of for my building society funds."

"Yes," said Susan, "but we can each put only £1,800 a year into Tessa, up to the maximum of £9,000 over five years. We've both got more than that. And is it a good idea to tie-up the money for so long? We wouldn't get a tax rebate bonus until the final year – and what's going to happen to interest rates over that period? I think Tessa's ideal for my parents, because they're comfortable with building society investments. But I'm not sure that it's best for us."

"That makes sense," said Alfred. "So obviously a Pep's the place for my building society money. Or shares, so I can use the capital gains allowance."

"Sometimes, Alfred," said Susan, "you really exasperate me. We've been through all this before. We agreed on the Pep idea a couple of months ago. But you did nothing about it and now you've missed a great opportunity."

"I know what you're going to say," said Alfred. "It's just that I've been so busy. Okay, but the argument for Peps still stands. I can put away all that money absolutely free of capital gains or income tax – and the Chancellor has raised the limit from £4,800 a year to £6,000."

"I know, I know. It's just that I don't have the child-like faith you have in the British economy," responded Susan. "And as for capital gains, how can we use the allowances when we haven't made the investments? You should have put more of your building society money into shares years ago, like your parents."

It was now Alfred's turn to look exasperated. Generally, he liked Susan's scepticism, which he saw as a useful antidote to his boy scout enthusiasms. But sometimes, he felt, she went too far. "Is there anything at all you like about this Budget, Susan?"

"As a matter of fact, there is – the new rules on work-place nurseries," she replied, smiling sweetly. "One of your arguments against me going back to work was the tax I'd have incurred on nursery provision if we had children. That'll no longer apply as long as I manage to find an enlightened employer. By the way, Alfred, are you getting a nursery at the bank?"

"I'll raise the issue at the morning meeting," he replied, sarcastically. This argument about Susan going back to work, he decided, was not something he was going to get into this morning. He gathered his papers and dashed for the door. "Thanks, anyway, Susan, for clearing my mind. I'm still going to take a contrarian view at the conference this morning, though. It'll make sure I'm heard."

Alfred let himself out and stood for a moment in the sunlight glinting through the beech trees by the drive. He looked admiringly at the bright red motor car which unlocked with a flick of his electronic key. This, he thought to himself, was a pleasure that neither the Chancellor nor Susan was going to take away from him yet – tax or no tax!

SUMMARY

John Edwards lists the Chancellor's proposals

Giving with one hand, taking with the other

CHANCELLOR John Major insisted it was a "saver's Budget" – but then took a lot of the potential savings away. The cost of drinks, cigarettes and petrol are all going up as a result of increases in excise duties, some of which were higher than the rate of inflation of 7.7 per cent at the end of December last year.

The personal allowance, before you start paying tax, was raised in line with inflation: by £220 to £3,005. But the 25 per cent standard rate band was left unchanged with a ceiling of £20,700 taxable income.

As a result, 40 per cent taxpayers got no compensation for inflation and will, therefore, face higher tax bills.

Owners of company cars will pay more tax, too, although the 20 per cent rise in the benefit-in-kind scale charges was less than some people had feared after the 30 per cent increase last year.

There was no increase for inflation in the annual exemption before you start paying capital gains tax. It remains at £5,000.

But under the independent taxation system starting next month, married couples will now enjoy two separate exemptions – meaning they can make £10,000 in gains before becoming liable to tax, provided they plan their mutual finances properly.

The new married couples' allowance, allocated initially to the husband but transferable to his wife if unused wholly or partially, was fixed at £1,720 for those under 65, rising to £2,145 for those between 65 and 74 and £2,185 if you are 75 and over.

Age allowances for single adults were lifted to £3,670 and £3,820 respectively. The income limit for the maximum you can receive, and still qualify for the whole age allowance, was increased from £11,400 to £12,300 (also in line with inflation).

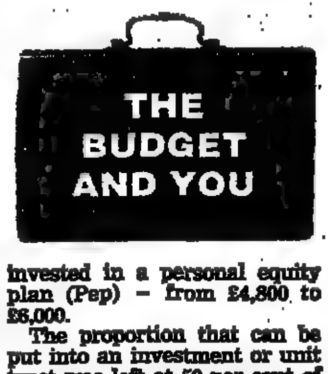
A special exception was made for the blind person's allowance, which jumps from £540 to £1,080.

The inheritance tax exemption was raised in line with inflation from £118,000 to £128,000. So, too, was the amount of earnings you can contribute to a company or personal pension scheme. The maximum has been increased from £60,000 to £64,800.

The most controversial measure on Budget day was the decision to double – from £8,000 to £16,000 – the amount of savings you can have before being disqualified from receiving housing and community charge benefits.

The controversy centred on the fact that, initially, this concession was not extended to include poll tax payments made already in Scotland. But after furious protests from Scottish MPs, the Government changed its mind and decided to offer ex-gratia payments to help up to 20,000 people north of the border.

For savers, the only immediate encouragement was a 25 per cent increase in the maximum amount that can be



invested in a personal equity plan (Pep) – from £4,800 to £6,000.

The proportion that can be put into an investment or unit trust was left at 50 per cent of the total, but that meant the maximum goes up from £2,400 to £3,000. The Chancellor reduced, from 75 to 50 per cent, the total of UK stocks that must be held in a qualifying investment or unit trust.

The maximum amount that can be invested in Business Expansion Schemes, excluding assured tenancies, was raised from £500,000 to £750,000.

Savers will, however, have to wait until January 1 for the introduction of Tessa (tax-exempt special savings accounts), the main new incentive to save as well as being the surprise special innovation that all Chancellors like to include.

Tessa, which will be offered by banks and building societies, is a form of poor man's Pep with the money being held on deposit instead of going into shares. The beauty of the scheme – which should have special appeal to high-rate taxpayers even though it is aimed primarily at small savers – is that you can't lose unless there is rampant inflation.

You agree to lock up your money for five years to qualify for the tax relief on the interest earned; but if you need to take out the capital for some reason or another, all you lose is the tax concession.

The proposed abolition of composite rate tax, which is deducted automatically from bank and building society interest payments and cannot be reclaimed, will not take effect until next April because of the huge administrative problems for the Revenue in scrapping it.

So, non-taxpayers face suffering this "unjust" tax for another year and will, no doubt, continue to seek investments that pay interest gross or reclaimable.

To help them out marginally, a 1 per cent rise was announced in the interest rate on some National Savings products. From April 3, the interest on investment accounts goes up to 12.75 per cent gross; and on May 4, the rate on income bonds (and deposit bonds, if you still hold them) will rise to 13.5 per cent gross. The interest is taxable but the tax is not deducted at source.

For the taxpayer, however, the best National Savings attraction is probably index-linked savings certificates that pay a "real return" of 4.04 per cent tax-free over the rate of inflation if held for five years.

Investors will have to wait even longer for the promised abolition of stamp duty on shares (but not on land and property, as hoped).

The Chancellor decided to delay the abolition to coincide with the stock exchange's introduction of Taurus, the planned new paper-less dealing system that is scheduled to start operating late in 1991.

But if the Budget was something of a disappointment for savers, and house-owners, it was certainly a good one for charities and those who like to give, rather than save.

The give-as-you-earn scheme received a modest boost. But the biggest change is that you get tax relief, at your highest rate, on donations to charity ranging from £600 to £5m.

Income tax

Single people / married women

Income	Old tax	New tax	Tax cut
5,000	554	499	55
10,000	1,804	1,749	55
15,000	3,304	3,249	55
20,000	4,304	4,249	55
25,000	5,781	5,693	88
30,000	7,781	7,693	88
40,000	11,781	11,693	88
50,000	15,781	15,693	88

Married men (all income earned, £)

Income	Old tax	New tax	Tax cut
5,000	156	69	87
10,000	1,406	1,319	87
15,000	2,906	2,819	87
20,000	3,906	3,819	87
25,000	5,156	5,069	87
30,000	7,145	7,005	140
40,000	11,145	11,005	140
50,000	15,145	15,005	140

SAVINGS

Sara Webb on the small savers' no-risk alternative to PEPs

The attractions of Tessa

WILL Tessa prove to be the poor man's Pep? John Major proudly announced that this year's Budget was a "budget for savers". One justification for this claim was the introduction, from January 1 next year, of a new scheme — Tax Exempt Special Savings Accounts (Tessas) — which the Chancellor hopes will encourage long-term savings in return for providing tax-free interest.

So how does this scheme work?

The idea is that from January 1, banks and building societies will be able to offer Tessas to anyone over 18 who wants to open a savings account.

Savers will be allowed to have one Tessa each. You simply open an account and start saving for five years. You can put up to £9,000 into a Tessa and after five years — provided you have left the capital untouched — you receive the interest tax free.

There are restrictions, however, on the amount you save each year: you may put up to £3,000 into a Tessa in the first year, and up to £1,800 in each of the following years. You may save a lump sum each year or, if you prefer, save up to £150 regularly every month.

You must leave the capital untouched in order to receive the interest gross at the end of the five year period. You may withdraw the interest earned (which will be paid net of basic rate tax) at any time within the five year period. You get the tax deducted from the interest back at the end of the five year period in the form of a bonus, providing you have not withdrawn any of the capital.

As a penalty for taking out any capital you forfeit the bonus and thus only receive your interest net of tax — rather than gross — after five years.

So, if you suddenly found you needed to draw on your savings, for example to buy a

new car, you could have access to your Tessa but you would forfeit your right to gross interest.

You would have to be careful about doing this: if the interest has been accruing over three or four years it might, when added to someone's earned income, move them into a higher tax bracket.

Although firm guidelines have not been set out, it looks as though a saver would be able to transfer his Tessa from one bank or building society to another, depending on which one was offering the most favourable rate. So savers could move around quite quickly in response to interest rate changes. And after five years, when the scheme matures, you can start a new Tessa.

Who will benefit from Tessas? Anyone who ordinarily keeps a savings account with a bank or building society should consider using a Tessa for money which they do not need access to at short notice. If you have substantial savings you should consider putting some of them aside in a Tessa.

A retired person who uses interest from his bank or building society deposit as regular income could also use a Tessa provided the amount withdrawn does not eat into the capital.

Although the scheme is primarily aimed at the small saver, as usual the high rate taxpayer will benefit most since he will not have to pay any tax at all on income which would normally suffer a 40 per cent charge.

Tessas could even draw some investors away from Personal Equity Plans (PEPs), the tax-exempt schemes which were meant to encourage people to put money in shares, unit trusts and investment trusts.

Why put your money into a tax-free scheme which carries risk (due to the fact that shares can go down in price) when you have a much safer alternative in the form of a Tessa? Many investors may believe that shares provide better protection against inflation, but the uptake of Tessa is quite likely to overtake that of PEPs in a very short space of time, given the security and familiarity of keeping money in a bank or building society.

A way to reverse the trend

TESSA, the new British savings scheme launched in Tuesday's Budget, has a familiar ring in Washington. It is very like the Family Savings Account, the new US savings initiative launched with equal fanfare in President Bush's Budget at the end of January.

While there are differences — Tessa is limited to banks and building society accounts rather than the US version's wide range of investments — both aim to help reverse the problem of a low level of personal savings. Low levels of saving raise the cost of capital, contributing to low overall domestic savings relative to investment, as reflected in both countries' current account deficits.

In the UK, with the public sector in surplus, the problem is in the private sector, both corporate and personal. In the US, the main problem is in the public sector, despite the decline in the Federal Budget deficit since the mid-1980s. However defined, US personal savings are also at historically low levels, in spite of an improvement in the last two years to a rate of around 5.5 per cent from a low of less than 4 per cent in 1987. This compares with around 8 per cent in the 1970s.

Robert Glauber, US Treasury under secretary for finance, says: "The Federal Budget deficit is the number one problem in achieving a new structural balance. But, while not overselling the savings initiative, it can make an important contribution." In short, every little helps in raising the post-tax rate of return on savings, and the Family Savings Account is part of a broader package which includes a proposed cut in capital gains tax.

Critics have posed two questions: do such tax incentives lead to a net increase in saving or merely a switching from other forms of saving which do not enjoy such incentives; and will the tax revenue lost through the incentive increase the Federal Budget deficit and therefore not improve, and possibly even worsen, the overall savings problem?

The main US evidence has come from individual retirement accounts (Iras), a form of savings which allowed generous tax deductions on contributions — although money cannot be taken out without a 10 per cent penalty until the saver reaches the age of $59\frac{1}{2}$. The main tax reliefs on contributions lasted from 1981 to 1986 until they were abolished as part of a major overhaul of the US tax code.

The initial view was that Iras led to a transfer from existing forms of saving. However, a more recent study conducted for the National Bureau of Economic Research, suggests that a switching of savings occurred initially but the impact built up over a period so that between 75 and 90 per cent of Ira contributions consisted of new savings.

Canadian evidence, based on tax incentives on more generous retirement accounts introduced in 1972 and 1976, suggests that savings are boosted. After a period the Canadian household savings rate began to rise above the US rate and pulled away further during the 1980s. However, the Congressional Budget Office has argued that the balance between shifting and additional savings is unresolved.

The new Family Savings Account lacks some of the special features which made Iras attractive. It is backend rather than front end loaded — there is no tax deduction on initial contributions. Instead, the benefits in the form of accumulated earnings will be tax-free after seven years.

The scheme also offers more liquidity than Iras. Based on market research, Glauber notes that "a tax structure allowing deductions at the end is more effective and more attractive since many people in the target group believe that tax rates will be higher later as their incomes go up and since they don't think that over a period of years Congress will hold the line on taxes (avoiding increases)."

Backend loading also minimises the loss of tax revenue to the Treasury in the short term. Robert Reischauer, director of the Congressional Budget Office, has argued that any resulting increase in private savings would probably be outweighed by a loss in tax revenues, preventing any increase in overall national saving. According to the CBO, tax revenue will be cut by \$300m initially, rising to \$1.8bn by 1995.

The administration naturally thinks this is too pessimistic. The president's council of economic advisers has estimated that Family Savings Accounts will not lose Federal revenue if they increase personal savings by just \$40bn over five years. This is equivalent to an increase in the personal savings rate of less than 0.2 percentage points.

Yet such claims show the limited impact of such initiatives relative to recent swings in US personal savings and other influences such as interest rates, inflationary expectations and demographic factors. The ageing of the US population will mean a higher level of savings.

The widespread emphasis on increasing US savings is now being challenged by the growing free movement of capital across borders. Returns of investment in international saving schemes are attractive and any small national shift in savings is of little relevance. Dependence on foreign capital not only affects the degree of dependence on foreign ownership and dividend flows, but also, according to Mr Michael Boskin, the chairman of the president's council of economic advisers, "over a long span of time the ultimate investment in any economy will be closely tied to that economy's own domestic supply of capital." In short, "higher rates of saving lead to greater national wealth and higher standards of living for the future."

In these calculations, incentives such as Tessa or the Family Savings Account are at most a marginal influence.

Peter Riddell

PEPS

Surprising but so welcome

PERSONAL equity plans (Peps) received an unexpected boost in the Budget. Much to the delight of Pep managers, the maximum amount that can be invested in the 1990/91 fiscal year was lifted to £6,000 — a 25 per cent increase on the present "ceiling" of £4,800.

This was much more than the industry had expected; many managers thought the maximum would merely be adjusted upwards in line with inflation.

Pleas for the Chancellor to increase (from the present 50 per cent) the proportion of Pep money that can be placed in investment or unit trusts fell on deaf ears. But the big rise in the overall maximum was followed through, so the most you can put into investment or unit trusts has also been increased by 25 per cent — up from £2,400 to £4,000.

The Chancellor did, however, half-listen to arguments against the restriction — due to start on April 6 — that forces investment or unit trusts within a Pep to have at least 75 per cent of their underlying holdings in UK-quoted stocks. He reduced the figure to 50 per cent.

At the same time, he raised the amount that can be held in a "non-qualifying" trust (one with more than 50 per cent of its assets in overseas stock markets) from £750 to £900.

The concession on foreign stockholdings benefits investment trusts most, since many of them failed to qualify under the 75 per cent ruling. Phillip Chappell, of the Association of Investment Trusts, estimates that 30 more investment trusts will be eligible for inclusion in a Pep under the 50 per cent ruling.

More importantly, these 30 include several of the big, generalist investment trusts that, he says, are suited best for the small investor.

Unit trusts tend to be more specialised in their various different sectors. Several unit trust groups introduced overseas funds into their Pep portfolios this year — for sale before April 5 — once it became clear that the Revenue would not insist on the funds being "converted" to qualifying funds when the restriction on holding overseas stocks came into force.

They will not qualify even under the revised 50 per cent ruling; so if you want to include in your Pep a unit trust investing in overseas stocks you will have to act quickly. Very quickly, in fact: because of the "cooling-off" period for sales of some unit trusts, many groups have set a deadline for taking new orders of March 28 — or even earlier.

For 1990/91, if you want to include a foreign element in your Pep and avoid the risk of being confined solely to the UK market, your best bet probably would be to look at the qualifying investment trusts available, especially as (in theory) they can have rights issues to boost the amount you can invest beyond the normal Pep limits.

To further reduce your risk, you could start early with regular monthly savings that have the benefit of "pound cost averaging" and provide protection against volatile markets, since the number of units bought by your fixed monthly contribution varies in accordance with the price at the time. If the price falls, you get more units and vice-versa.

Many people believe that investment trust savings schemes, in particular, are the cheapest and best way for the private investor to go into the stock market.

The Chancellor's decision to retain the annual exemption from capital gains tax at £5,000, and extend it to both husbands and wives, could lessen the attraction of Peps as a means of saving capital gains tax.

But the disguised rise in the amount paid by higher-rate taxpayers, following the failure to adjust the standard rate band for inflation, means that the avoidance of income tax becomes a bit more important.

The larger amount available for investment should also help to lessen the impact of the charges, which remain very high — especially with self-select Peps, where you choose your own shares.

By raising the maximum so generously, the Chancellor seems to have indicated that he still sees Peps as a major weapon in promoting wider share ownership.

How much impact the tax-exempt special savings account (Tessa) will have in attracting money away from Peps depends more on the state of the equity market as investors decide whether to play "safe" or risk going into shares.

■ The Inland Revenue said this week it was considering what to do about cash held in Peps following the proposed abolition of composite rate tax (CRT).

In the new-style Peps, introduced last April, the treatment of cash held in the fund was altered. You can now hold as much as you like in cash, but it is liable to CRT to avoid it being used merely as a tax-free cash fund. This is non-reclaimable and would put Peps at a disadvantage. So, the Revenue is thinking again.

John Edwards

INVESTOR'S VIEW

Cause for thought

WHILE I welcome many of the Chancellor's proposals, his Budget was as much one for City institutions as for savers. It did nothing to induce me to rush out and buy shares immediately although it will, over the coming months, make me ponder all the small print and consider the future direction of my investments — especially as many of the Budget proposals won't take effect until 1991.

I like the increase, from £4,800 a year to £6,000, in the amount that can be put into a personal equity plan (Pep). But it's a pity the tax relief cannot be given on share investments without having a Pep manager taking some fees and generally getting in the way of a more direct investment in individual companies.

It was good to hear that stamp duty on share transactions will be abolished late in 1991 or some time in 1992 when Taurus (the Stock Exchange's paper-less share transfer system) is introduced although I suspect that Taurus will be more beneficial to institutional investors than to private ones.

My wife and I are delighted that we will be allowed to make £5,000 each in tax-free capital gains compared with the present £5,000 limit between us. Some commentators had speculated that Major would reduce the individual levels of such gains; perhaps they forgot that Nigel Lawson, his predecessor as Chancellor, reduced the £6,600 annual exemption for married couples that existed in 1987-88 to £5,000 in 1988-89. So, giving a husband and wife £5,000 each in 1990-91 was only fair and reasonable.

The abolition of composite rate tax means my two daughters, at least, are looking forward to having tax-free bank and building society accounts next April. This move should benefit UK-based institutions, which probably will find that untaxed funds in overseas bank accounts owned by children and low-earning spouses will flow back eventually to the UK.

The biggest welcome for the proposed tax-exempt special savings accounts (Tessa) will no doubt come from the British banks and building societies; they probably are hard at work already designing yet more junk mail to thrust through my letter-box.

Many of the other Budget proposals have much to recommend them although it is a shame that the 1 per cent increase in National Savings' interest rates could not be accompanied by a much heftier increase in the notional interest rate in the premium bonds' prize fund, which is now a miserly 6.5 per cent.

The measures designed to help small companies, such as simplifications to VAT registration and improvement in taxation procedures, should also increase the appeal of new manufacturing companies set up under Business Expansion Schemes (BES). Indeed, I am pleased the Chancellor has not scrapped the BES, although I thought he might have imposed greater time limits on the sale of real estate owned by the BES residential property companies — some of which seem to want to throw their tenants onto the streets after five years in order to realise the hoped-for capital gains on selling the properties.

My wife still hopes that the further increase in taxation of company cars will make the local Mercedes dealer much more willing to drop his prices. She thinks there could be a down-turn in sales that will increase price-cutting competition. But last year's bigger tax increases did not seem to have much effect.

With the Chancellor's emphasis on saving, and his condemnation of banks' "indiscriminate mail shots encouraging people to borrow," I wonder where the banks are going to lend all the savers' money in order to pay them interest. Will whoever is Chancellor in 10 years be announcing tax write-offs for banks on bad loans to east European countries as happens now for Third World nations?

On reflection, perhaps the best investment for 1990 is one made via a PEP in a small company that provides junk mail services to financial institutions and charities.

Kevin Goldstein-Jackson

Net income after tax and mortgage interest

	After 1989 Budget		Before 1990 Budget		After 1990 Budget	
	Gross income	Net income	Gross income	Net income	Gross income	Net income
Individual A	12,500	6,156	13,625	6,463	13,625	6,660
Individual B	30,000	12,750	32,700	13,267	32,700	13,379
Individual C	75,000	24,281	81,750	25,260	81,750	25,372

Assumptions: Married man, with mortgage 2.5 times gross 1989 income. Relief for all eligible interest given to husband. Earnings rise in line with national average. Net income columns show income after tax, national insurance contributions and mortgage interest.

THERE ARE two areas where John Major surprised the forecasters: mortgage interest relief at source (Miras) and income tax.

Those who thought that the Chancellor would tinker with Miras and raise the ceiling from £30,000, a level at which it has been for some years, were disappointed. He left it untouched.

Others thought that if Major intended to increase the tax burden slightly, he would accomplish this partly by not indexing the income tax allowances and the basic rate limit. In fact, he did increase the personal tax allowances in line with inflation.

But the threshold at which you pay higher-rate tax on income remains unchanged at £20,700, so more earners will fall into the 40 per cent bracket as their pay increases come through this year.

The income tax rates remain fixed at 25 per cent and 40 per cent, although Major says he favours bringing the basic rate of income tax down to 20 per cent (as his predecessor wanted) as soon as possible.

With the introduction of independent taxation in April, there will be three new allowances for married couples set according to their age. For those under 65, it is £1,720; between 65 and 74, it is £2,145; and for those aged 75 and over, £2,185.

S. W.

COMPOSITE RATE TAX

Better for the better off

LET US be quite clear. The proposed abolition of the dreaded composite rate tax (CRT), announced in the Budget, is not a tax concession. While it is true that non-taxpayers will benefit, many taxpayers will pay more since it will be replaced by standard rate tax at a higher rate being deducted at source instead. From April CRT will be 22 per cent, while standard rate is 3 per cent higher at 25 per cent.

From the Inland Revenue's point of view CRT is tax neutral: the amount paid by non-taxpayers enables standard rate taxpayers to pay less. A true case of the poor subsidising the better off.

The new system, to be introduced from April 6 next year, will end that "gross injustice", as it was described this week by Peter Lilley, Financial Secretary to the Treasury, but it is likely to have little effect on the total "take."

The tax will cost a lot more to collect. The Chancellor has admitted that the Revenue will have to employ extra staff to cope with the increased workload in handling repayment claims, possibly for quite small amounts of tax.

To try and reduce the extra workload, the government has decided to allow self certification by non-taxpayers; that they are entitled to receive interest payments gross, without any tax being deducted — a system already used for non-UK residents opening bank or building society accounts in Britain, who are not liable to pay UK tax.

Self-certification on a larger scale will be a much bigger checking system, especially in the early days when there is likely to be considerable confusion. There will, for example, be many people who are uncertain whether they should certify as non-taxpayers since they might be on the borderline.

CRT was originally introduced in the 1890s as a way of taxing interest payments by mutual societies, and it was extended in 1984 to include the banks as well. Although obviously unfair, it has survived for so long because it has been such an easy and efficient tax to collect.

Now, according to the Treasury, the injustice has become "intolerable", especially as a lot more people are affected by CRT under independent taxation for married couples. The flow of money that has gone into offshore bank accounts paying interest gross and funds where tax can be reclaimed in recent months highlights the problem.

Lilley claims that the "mammoth administrative change" involved means that CRT cannot possibly be abolished until next April, although no one at the Treasury has explained why the government did not start planning to abolish this unjust tax a year ago to coincide with the introduction of independent taxation.

For the next 12 months, therefore, couples where one of the spouses is a non-, or low-rate, taxpayer face the problem of either moving money offshore or choosing one of the few other methods of receiving interest gross or with tax deducted that can be reclaimed, such as "cash" fund unit trusts where until January you can also gain from capital gains indexation relief.

However, banks and building societies may well be tempted to introduce next month more one-year deposit bonds and accounts where the interest is payable on maturity after April 5, 1991 when non-taxpayers will be able to benefit from the abolition of CRT.

However demand for guaranteed income bonds issued by life companies could be hit in two ways. At present standard rate is deducted at source and cannot be reclaimed. In addition they will find it difficult to compete with the tax-free Tessa products.

John Edwards

UNIT TRUSTS

Small but useful

THE UNIT trust industry secured one small, but useful, concession in the Budget; had a loophole closed; and will be pressing the Government for another concession because it is ending composite rate tax (CRT).

The concession will enable all authorised unit trusts, whether or not they are classified as UCITS (Undertakings for Collective Investment in Transferable Securities), to be liable to corporation tax at 25 per cent on non-share income after relief for management expenses.

Since unitholders are credited with 25 per cent tax on distributions, this change will make transparent the tax treatment of most trusts and bring them even closer to the tax treatment of UCITS operating in Europe.

The concession will bring the UK more in line with Europe.However, the Chancellor has closed the loophole which enabled investors to exploit the tax advantages offered by the indexation of cash funds.

Under this loophole, the value of a cash fund, where the distributions were taken as cash, remained constant in money terms.

But when the capital gains tax indexation factor to allow for inflation was taken into account, the real value of the cash fund fell creating an automatic capital loss which could be offset against other capital gains.

Now indexation will not be applied to those funds which hold at least 90 per cent of the portfolio in deposits or other assets which do not, in themselves, attract CGT.

But since the ban does not come into force until January 1, 1991, investors can still secure a capital loss over the period through investing in these funds.

It remains to be seen whether any unit trust managers have the nerve to issue a trust which invests say 85 per cent of the portfolio in deposits and non-CGT assets, thereby still securing indexation.

Finally, with the proposed ending of CRT, it is highly likely that the industry, through the Unit Trust Association, will seek similar concessions for unit trusts in the Finance Bill.

It will argue that distributions from authorised unit trusts should be paid gross to those investors who can self-certify that they are non-taxpayers.

Such a concession would help management groups market unit trusts to children.

■ The tax change to unit trusts has thrown up an anomaly in relation to Investment Trusts that hold unit trusts.

Distributions made by authorised unit trusts will have a tax credit of 25 per cent, while the franked income received by the unit trust will have suffered corporation tax at 35 per cent.

Investment trusts holding unit trusts will face an additional corporation tax liability of 10 per cent on the distributions from the unit trust, compared with what would be received from direct equity dividends.

The two main groups affected — M & G and Save & Prosper — intend to make representations on this double tax feature.

The board of Save & Prosper Linked Investment Trust estimated that the change could result in a 16 per cent drop in net income available to the holders of income shares, while on the S & P Return of Assets Investment Trust, it is estimated that a full year's net earnings would be reduced by a third.

Eric Short

BES

A helping hand

LISTENING to the Budget speech, it seemed that last week's prediction of no significant alterations to the Business Expansion Scheme (BES) had been fulfilled. But tucked away in the Inland Revenue statement accompanying the Budget were two measures that should help both companies and investors.

The first was the increase — from £500,000 to £750,000 — in the amount that non-assured tenancies can raise in any single financial year. This will start on May 1.

The first reaction was that this was still a long way short of the £1m or £2m for which the industry was hoping. But a 50 per cent increase is pretty generous, and should help to open up the market. There have been a variety of non-assured tenancy issues this year, so next year looks promising — and, potentially, more interesting — for investors.

The second change was the immediate abolition of the so-called "locality" rule which applied to BES companies letting residential properties. It meant that shareholders could lose tax relief on their investment if the value of the properties passed £125,000 in Greater London, and £85,000 outside it, simply because the local area appreciated in value. The rule discouraged many companies from buying and re-furbishing run-down properties.

Another Budget change was the introduction of tax relief on work-place nurseries from April 6.

Readers may recall Littleworld Nursery Schools, which is raising money to operate a series of companies providing creches. In the two days after the Budget, subscriptions had risen from about £100,000 to £250,000, but Littleworld might not benefit from the Budget unless it alters its strategy.

The prospectus states that the company intends to provide nursery services to parents in their local area, so children can be left before the journey to work. But the Inland Revenue says only nurseries in the work-place run by the company will qualify for tax relief.

So while Littleworld could well adapt its plans, investors in the present offer should note that this condition is not included in the prospectus.

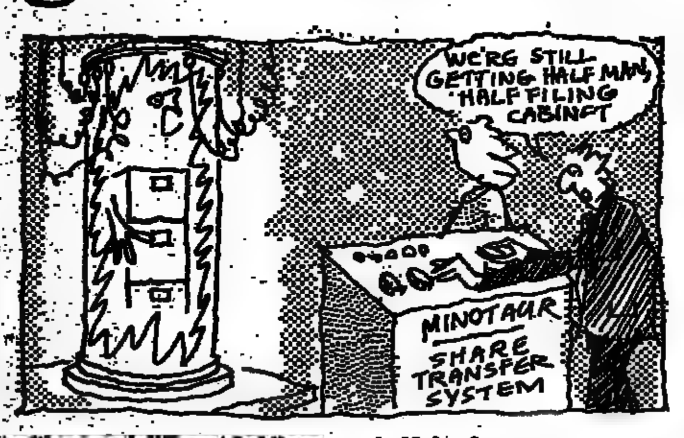
Heather Farmbrough

FINANCE & THE FAMILY — THE BUDGET

STAMP DUTY

Richard Waters looks at the impact of the Budget on small investors

Share-dealing to cost 25% less



THE ABOLITION of stamp duty on share transactions, announced in the Budget, will wipe 25 per cent off the costs of dealing for many small shareholders — but it will not happen until the end of 1991 at the earliest. It has been timed to coincide with the introduction of paperless trading at the Stock Exchange, a development which itself has important implications for private shareholders.

First, stamp duty. This tax on share trading has already fallen considerably in recent years, from 2 per cent to just 0.5 per cent. Yet the elimination of the duty will still bring important benefits for small shareholders. The tax represents a significant part of total dealing costs. For instance, the average share transaction of £2,000 to £10,000 incurs a commission of 1.5 per cent. Thus, the 0.5 per cent stamp duty on top represents a quarter of the total cost.

Less clear-cut are the benefits of the exchange's paperless system, known as Taurus (Transfer and Automated Registration of Uncertified Stock). By tying the abolition of stamp duty to the introduction of Taurus, the Chancellor has provided extra incentive for the Stock Exchange to meet its deadline of developing this system by the end of 1991.

There are two aspects of this development that will affect all shareholders: the costs of dealing will change and share certificates will disappear. The effect of the development on costs is the most difficult to anticipate. It seems certain Taurus will result in overall savings for the stock market as the expensive paper-based settlement system is replaced. These savings are estimated by the exchange to amount to around £225m over 10 years, compared with the £50m cost of developing Taurus.

Some of these savings should fall — eventually — on small shareholders. In the short term, though, costs could well rise as brokers invest heavily to build new computer systems to handle Taurus. This sounds ominous for the private investor — something that has not escaped the Stock Exchange, which is still considering how to allocate the costs of Taurus. One likely concession for small shareholders is that settlement charges will depend on the size of a deal, as they do in the US: the smaller the deal, the smaller the charge, even if it does cost as much in computer effort to handle both.

Another factor determining cost will be whether shareholders choose to have their holdings maintained by company registrars, as now, or opt to transfer them to accounts run by brokers or banks. The second option will cost more, since the broker or bank will charge an annual fee in return for maintaining the shareholdings.

There will, however, be benefits as well: having all shareholdings managed together in one account would make administration easier for those with several different holdings, and could be handled as part of an all-round administration and advisory service: Around 20-25 per cent of investors are expected to choose this (more expensive) course.

All shareholders, regardless of who maintains their holdings, will find that certificates become a thing of the past. It seems likely that, after Taurus has been built, shares of the largest companies will be transferred on to the system over the following 12 months — but this will happen only after their shareholders have voted at general meetings for the change.

As a company is transferred ("dematerialised," in the jargon), its shareholders will receive a statement showing how many shares they hold. At the same time, their certificate will cease to be a document of title. This, at least, is what is expected: the Government, mindful of concern among shareholders about being forced to yield their certificates, is still pondering the issue.

John Watson, in charge of developing Taurus, points out that, apart from their symbolic value as title documents, certificates are actually a nuisance for small shareholders. For one thing, they have to kept in a safe place; if lost, it costs as much as £25 to get a replacement. Also, receiving a statement (which would arrive at least every six months) would make life easier for the shareholder, showing his total holding at any one time.

A further effect of dematerialisation is that there will be no need to sign a transfer form each time shares are sold — stockbrokers will, effectively, sell shares on their clients' behalf. Does this make it easier for dishonest brokers to defraud their clients? No, according to Watson: it is just as easy now. The signatures on existing transfer forms are never checked, since registrars have nothing to check them against, so there is nothing in the present system to prevent dishonest brokers, either.

Meanwhile, a second aspect of the development at the Stock Exchange is likely to have a still greater effect on small shareholders. This is the move, due after Taurus, to rolling settlement. At present, all stock market transactions are settled on the same day, more than a week after the fortnightly "account" period in which the transactions occurred. This leaves considerable time for brokers buying shares on behalf of their clients to get their own payment before having to pay the seller.

Rolling settlement will involve settling all bargains a certain number of days after they have been carried out. The initial period will be five days but this will be reduced eventually to three. Since it takes three days to clear a cheque, there will be precious little time for brokers to get paid by their clients for deals done on their behalf.

The likely reaction is that brokers will deal only for clients who present them with a cheque at the same time as the order. Alternatively, they will want to hold clients' cash pending possible orders. This could make a considerable difference to the relationship between many small shareholders and their brokers.

CHARITY

A bonus for giving

Picture: Alan Harper

Coaxing donations: Gift Aid tax relief means that charities should be £50m better off this year

CHARITIES COULD not have hoped for better news this week. They should be £50m better off this year thanks to a donation scheme aimed at the big donors, and to other measures introduced in the Budget.

The most important measure is Gift Aid which comes into effect on October 1 and allows donors to claim income tax relief on gifts of between £600 and £5m. This is intended to coax one-off donations from wealthy people, particularly those who are unsure of what their circumstances may be in three or four years' time and who therefore cannot commit themselves to giving regularly through a covenant.

Gift Aid works as follows according to the Inland Revenue: if someone gives £750 to any qualifying charity, that is equivalent to £1,000 before basic rate tax of 25 per cent. The charity receives £750 from the donor and £250 in reclaimed tax from the Inland Revenue. If the donor is a higher rate taxpayer he can claim higher rate relief of £150 (in other words 15 per cent on the £1,000 sum).

Charities Aid Foundation (CAF) believes this could provide the ideal way for rich people (such as those in the City or pop world) to give money to charity. In the past, people who retired and wanted to make over a large sum of money to charity often did so using a charitable trust: these people might find that Gift Aid is a more suitable way.

Small donors can still make use of payroll giving schemes whereby they receive income tax relief on regular donations. This week, the Chancellor raised the maximum that can be donated through such payroll giving schemes from £480 a year to £600 a year.

Payroll giving has met with only moderate success since it was introduced by Nigel Lawson in 1987. So far, 175,000 employees have joined payroll giving schemes. However, although payroll giving is simple to use, it is not promoted very aggressively by the charities themselves or employers who are in a position to run such schemes.

CAF, which runs the Give-As-You-Earn payroll giving scheme, says it has about 200 people signing up with GAYE a month. The average monthly donation is £8, but 11 per cent of payroll donors give the current maximum amount of £480 a year. CAF hopes that these people might increase their donations to the new limit.

"We're delighted that the limit has been raised, but we had hoped that the Chancellor would include the self-employed in the scheme this year and unfortunately he hasn't," says Suzanne Broughton at Charities Trust, the Littlewoods payroll giving scheme.

The Revenue also published simplified guidelines on charitable covenants this week which could encourage their wider use. "The Inland Revenue deserves a pat on the back for the wonderfully clear way in which it has set out its guidelines," said Peter Maslen of CAF. He believes this will be particularly useful to the smaller charities which do not have any financial assistance as the document shows how to draw up a covenant in a form which will be accepted by the Revenue.

John Major has been kind to charities. It is now up to the charities to persuade the public to be kind to them.

Sara Webb

Working mums benefit

THE BUDGET AND YOU

MOTHERS working for Leicester City Council have good reason to be pleased: they can look forward to tax savings of between £6 and £11.75 a week from April 6 when work-place nurseries cease to be taxed as a benefit in kind.

At the moment, working mothers (or fathers) who send children to nurseries provided by their employer are liable to pay income tax on this benefit once their annual income exceeds £8,500. The decision to scrap tax, announced in the Budget, is meant to encourage more mothers to return to work.

At Leicester City Council, a parent who earns £9,000 pays a nursery charge of £32 a week for each child. The subsidy is £38 a week (£1,976 a year) and is taxed at 25 per cent, or £9.50 a week. A higher-paid employee would pay the top charge of £46 a week, with a subsidy of £24 and a weekly tax bill of £6.

"This will benefit our lower-paid employees more than the higher-paid staff using the scheme," says Chris Geschke, personnel officer.

The Revenue says, however, that the concession will apply only in cases where the employer is involved in running the nursery. It will not cover schemes where an employee receives child care vouchers from the employer in order to pay a registered child-minder.

The number of parents who benefit from this tax change will be small at first because there are only about 120 work-place nurseries in the UK, with places for 3,000 children. They cost £100-£150 a child each week although, in many cases, the employer pays about two-thirds.

But the picture could change if the tax concession encourages more employers to follow the example of the Midland Bank which, to alleviate staff shortages, has set up work-place nurseries so it can recruit more women.

S. W.

ESOPS

David Cohen on the significance of roll-over relief

New life for ESOPs

THE INTRODUCTION of "roll-over" relief on share sales to Employee Share Ownership Plans (ESOPs) may prove to be one of the most significant measures in the 1990 Budget. It holds out the prospect both of a breakthrough in wider employee ownership and a significant tax-planning opportunity for shareholders and key executives.

An ESOP is an employee trust which acquires shares in a company and parcels them out to the company's workforce. The ESOP is funded either by loans or grants from the company or by external borrowings which may need to be guaranteed by the company.

If the ESOP meets certain qualifying conditions laid down by last year's Finance Act then contributions to it by the company will be tax-deductible.

In spite of this advantage, not a single company has yet set up a qualifying ESOP. Reasons cited include lack of sufficient tax incentives and the restrictions of the qualifying rules. In particular, the ESOP's shares must generally be distributed to all full-time employees and those employees must have the right to elect a majority of the trustees.

While leaving these conditions untouched, Major has sought to resuscitate ESOPs by giving an important new tax concession. Shareholders who sell to an ESOP will be able to defer any capital gains tax (CGT) liability by rolling over their gain into other assets.

Relief will be available if:

■ The ESOP holds at least a 10 per cent stake in the company within 12 months of the share sale.

■ The vendor shareholder reinvests in other assets within six months of the sale or, if later, of the date on which the ESOP reached the 10 per cent level.

■ There are no arrangements in place at the time of the sale giving the vendor an option to repurchase the shares.

The most notable feature of the new relief is the flexibility which it gives to vendors. The replacement assets can be any assets within the scope of CGT; not just UK or overseas shares but also property (though not a person's principal residence) and works of art.

The tax deferral will normally last until the replacement assets are sold. The Revenue says that only one "roll-over" will be allowed so that a tax charge will arise even if the assets are swapped for other taxable assets which would themselves have qualified for relief had they been purchased with the proceeds received from the ESOP.

The only circumstance in which the tax deferral will end earlier than the first disposal is if the ESOP fails to comply with its statutory conditions, for example, by holding on to shares for more than seven years.

This all adds up to a very advantageous exit route for prospective vendors. The nearest parallel is the roll-over available on a share-for-share takeover but in that case the seller can take only the bidder's paper whereas here he has virtually unrestricted investment scope.

This will be particularly attractive to a shareholder in a family company who may well be disposing of his major asset and will be keen to diversify the proceeds into a well-spread portfolio. But the relief may also appeal to smaller quoted companies.

The snag about all this is, of course, that tax relief is conditional on the purchasing ESOP meeting the conditions of the 1989 Act. It will be fascinating to see the extent to which shareholder self-interest overcomes the aversion to qualifying ESOPs. Shareholder pressure may now prompt companies to look more open-mindedly at the qualifying rules and this may suggest some scope for creativity.

The biggest bugbear has been the requirement to spread shares equally among the workforce. Most managements prefer to concentrate the incentive effect on selected employees. This problem can be partly dealt with by channelling the shares via an approved profit-sharing scheme. Participation can then be restricted to employees who have served for at least five years and some of the more recent recruits can be added at the directors' discretion. Distributions from such a scheme can be pro rata to salary up to a maximum of £6,000 worth of shares for an individual in any tax year.

None of this can rival the flexibility of the much favoured executive option schemes, but it may nevertheless suggest that the price to be paid for the new roll-over relief need not be as high as some companies fear. And a company which does create a qualifying ESOP will also be able to provide enhanced incentives for its key executives by giving them the chance to roll over shares which they acquire on the exercise of executive options by selling to the ESOP.

This type of link-up between an ESOP and an Executive Option Scheme is one of the most intriguing possibilities thrown up by Tuesday's announcement. But the idea will only be worthwhile if the executive scheme is Revenue-approved. Non-approved options are subject to income tax on exercise so a CGT roll-over on disposal would be irrelevant.

■ *David Cohen is a partner in the City law firm of Paisner & Co.*

Eric Short on the real cost of life contracts

The charges that hurt

THE AVERAGE charges on life company contracts reduce the maturity value by around 16 per cent on a 10-year term and around a quarter on a 25-year investment period, according to figures disclosed in the April issue of *Money Management*.

From July 1, life companies will be required to provide investors with details of the expenses being charged on the contract bought – the figure being shown as a percentage deduction from the yield.

Such information will mean more to independent financial advisers than to individual investors, since the adviser will be in a position to compile a list of charges and compare life companies. But the magazine is providing a preview of this expense disclosure in its latest issue, which contains the results of the annual survey of unit-linked endowment policies.

The charges on a unit-linked contract are known at the outset, unlike traditional with-profit business. However, the structure is so complex, with several layers of charges – bid/offer spread, annual management fee, policy fee and so on – that it is difficult to ascertain the overall effect of charges.

Normally, life companies are not permitted to provide illustrations using their own charging structure. They have to keep to the standard Life Assurance and Unit Trust Regulatory Organisation (Lautro) scale of charges, which does not tell advisers or the investor very much. But *Money Management* has obtained permission from Lautro to get these figures on a company's own charging basis.

In the past, advisers have found these values useful in that it shows in one figure the overall effect of the charges. Now, the magazine has been able to show even more relevant information.

First, most life companies have provided an expense deduction figure, calculated on the basis required as from next July. This will enable investors and their advisers to grade life companies according to their level of expenses with a single figure comparison. This is a new area for life companies, and *Money Management* found there were some problems interpreting the Lautro requirement. Indeed, a few companies were not in a position to provide an expenses figure.

'Charges need to be justified if they have such an impact on return to investors'

The accompanying table shows only a brief summary of the full table in the magazine. But it points to the wide variation in expense charges between life companies. It also shows that there are "horses-for-courses" in that some companies have comparatively high expenses for short-term periods and much lower expenses for the longer term.

The company with the lowest expense figure over all terms is London Life, now part of the Australian Mutual Provident group. Among other low-charge companies are Equitable Life, Black Horse Life and Scottish Amicable.

Showing expenses as a deduction from yield conveys very little to the average investor. Here, though, the second additional piece of information will be extremely helpful. *Money Management* has also included a figure for the projected maturity values assuming there were no charges – possibly the most useful figure in the table. This means that, with the aid of a pocket calculator, the investor can see what effect charges deducted by the life company have on the investment.

The results, shown in the table, are revealing. No wonder life companies, in discussions with the Securities and Investments Board over the method of disclosing expenses and charges, opposed strongly showing the percentage reduction in maturity values.

Life companies incur expenses in running their operations and providing a profit for their share-holders or with-profit policy-holders. But charges need to be justified if they have such an impact on the return to investors.

With far more detail being provided on expenses, investors should be in a much better position to ensure life companies keep expenses under control and justify their charging levels.

PROJECTED MATURITY VALUES - effect of charges/expenses man aged 29, paying £30 a month

	10 years			25 years		
	Value £	EXPENSES Reduction in Yield %	CHARGES Reduction in Value %	Value £	EXPENSES Reduction in Yield %	CHARGES Reduction in Value %
a) 7% pa growth						
No charges	5,161	-	-	23,624	-	-
Lowest charges	4,842	1.23	6.18	21,068	0.73	10.76
Average	4,338	3.20	15.95	18,300	1.67	22.54
Highest charges	3,944	-	23.89	15,357	2.98	35.14
b) 10.5% growth						
No charge	6,208	-	-	40,317	-	-
Lowest charge	5,814	1.24	6.32	35,590	0.81	11.72
Average	5,175	3.29	16.71	29,570	1.72	26.66
Highest charges	4,604	-	25.81	26,127	-	35.26

Source: Money Management

New Government proposals will curb contribution holidays

Pension squeeze on employers

THERE'S good news for employees and pensioners in final-salary company schemes who have little protection against inflation.

New Government proposals mean that managements will have to think twice about halting temporarily their payments into pension schemes (known as taking a contribution holiday) because a surplus of funds has built up.

Instead, they will first have to ensure that employees and pensioners have had their pensions, or benefit entitlements, increased by a percentage equivalent to the rise in the retail price index up to a maximum of 5 per cent each year – something known as an LPI (limited pension increase).

These radical proposals came to light when Tony Newton, the Social Security Secretary, announced two late changes to the Social Security Bill – to be made at the report stage – in answer to a parliamentary question.

First, from some future date (referred-to as the Appointed Day), all future pension benefit rights secured from that time will have to provide at least LPIs. This change goes some way towards solving the problem of maintaining the real value of pensions to employees retiring well into the next century and employers will be required to fund for this increased liability.

William M. Mercer Fraser, a pension consultant, estimates that the compulsory improvements in future benefits could increase the cost of providing final salary pensions by as much as 30 per cent, or 5 per cent of the payroll. In some cases, the cost could be even higher.

Tony Newton . . . radical proposals

Of far more importance, however, the second change to the Bill requires that where the pension scheme has a surplus, it must be used to improve pensions and pension rights acquired before the Appointed Day, up to the 5 per cent LPI rate, before employers can take a contribution holiday or a cash refund.

If the surplus is not large enough to meet the LPI target immediately, then Newton wants companies to use all the surplus funds available to guarantee a lower increase in all benefits.

In such cases, companies may decide to give full LPI increases to the oldest pensioners and work down through the age range until the surplus is exhausted.

Details have to be worked out, and there are a lot of questions to be answered before the system can operate. But Newton intends to make the proposals effective no later than the end of next year.

This sounds like good news for every member of a company pension scheme. But it is a two-edged sword.

First, some company schemes do not guarantee any official increases to pensions but, instead, use any surplus to make discretionary ad hoc payments. Under the new plans, the surplus would have to be used to give LPI guarantees to future pensions of present employees, as well as existing pensioners.

As a result, there might not be enough of a surplus to give pension increases above 5 per cent.

Second, this legislation could strengthen the hand of employers who might say they have fulfilled their legal obligation by giving LPI guarantees and, therefore, claim the rest of the surplus.

Finally, employers may decide that this latest burden is too much too bear and could reduce pension benefits from, say, 1/60th to 1/80th of final salary for each year of service.

More likely, they could *switch the company* scheme to a money purchase arrangement, where the proposals do not apply, and run down the final salary scheme.

A survey by the WM Company on pension fund investment performance showed an average return in 1989 of more than 30 per cent, indicating that surpluses should continue for some time yet. But the number of companies taking contribution holidays could well fall sharply once the new proposals are implemented.

E. S.

Company lore

"WELL let's face it, the name of this game is inside information. It's all a question of building up useful contacts," said one chap. There was an embarrassed silence. Then his neighbour said: "I thought that was illegal."

It was the end of an investors' club weekend in Yorkshire run by the Stock Exchange and National Investment Group, the stock-broking chain. Members ranged from complete beginners whose interest was "making lots of money" to investors of many years' standing who wanted to find out more about portfolio management.

After two days of lectures, a visit to Harry Ramsden's fish and chip emporium (floated recently), and a parlour game based on running an imaginary portfolio, they had reached the stage of swapping names and addresses.

So, what do investors want? First, they'd like to do stockbrokers out of a living: they see no reason why the private investor should not be able to buy and sell shares completely free of charge. "It's outrageous how much money brokers charge in commission – I don't think they should be allowed to charge anything," said one elderly woman.

They would also like to be told which shares to buy for maximum gain (in other words, they want someone to perch on their shoulder and say "put all your money in X" or "for heaven's sake, steer clear of Z"). Failing that, they would like to know how to dig out useful information (try the Hambro Company Guide, Extel cards, annual reports and your friendly stock-broker; if you are a computer addict, you can find price information on Teletext, Prestel, and Market Eye).

The lectures covered how to structure a balanced portfolio, using traded options and convertibles, and analysing a company report. The crunch came at the end when investors competed at running a dummy portfolio.

Some took this rather seriously and said they would have liked more time to make their investment decisions. Others seemed content to throw caution to the wind, given that no real money was at stake.

No-one lost money in the game. Given the state of the stock market, though, anyone who tried the real thing this week could have had a painful lesson.

Sara Webb

Trusts and benefits

I am the registered holder of several unit trust accounts designated to my three children. My eldest, who is 28, is mentally handicapped, and because of his condition I decided not to transfer his shares of the units into his own name when he turned 18. As he is unable to work, I applied on his behalf for him to be granted income support. The rules regarding income support state that you must not have savings of over £6,000.

The value of the unit trusts designated accounts is roughly £14,000. The DSS is regarding a third of this amount as my son's savings in his income support application. As I am the legal owner of these units and I also state the income distributions on my tax-returns, am I correct in saying that my sons' share in the unit trusts should not be classed as his own savings?

■ On the facts outlined, the DSS is correct in saying that your eldest son is the beneficial owner of one-third of each of the holdings of units in question. You should not have included his share of the unit trust distributions in your own tax returns, from his 18th birthday. You should explain the position to your tax inspector, giving precise background facts – including the exact circumstances in which the purchases of the units were made. It is possible that you will be able to submit tax claims on your son's behalf.

Separate accounts

You emphasised in three different answers recently that tax credits, on dividends from shares transferred to a wife, could only be reclaimed if the dividends has been paid into an account in which the husband had no power to draw.

My wife has no income other than a small investment income. We have never had any other than a joint current account and a joint building society account, which either of us can draw on.

This year I have transferred about £20,000 worth of investments, which were in joint names, into my wife's sole name and about £25,000 worth of investments which were in my name. All the dividends from these investments (equities, unit trusts, investment trusts) are now coming in my wife's name to our home address, rather than direct transfer, and my wife pays them into our joint account.

Does your answer mean that section 109 of the Financial Act will require us, after 40 years of joint banking, to open a separate account in my wife's name so that we can take advantage of using her tax allowance from April 1990?

■ Yes – the price of making transfers to your wife for tax-avoidance reasons is that she must keep her financial affairs quite separate from yours, if you are not both to fall foul of the array of anti-avoidance legislation aimed at married couples by sections 108 and 109 of the Finance Act 1989.

Every married couple must decide which is the more important for them – avoiding tax or de facto community of property. The only safe advice is that spouses should keep their financial affairs totally separate, if tax avoidance is a paramount consideration.

The value of shares

I intend to transfer to my wife, for nil consideration, some ordinary shares. If she later sells them, will capital gains tax be based upon the orginal cost to me or on the value at the time of transfer?

■ She will be deemed (for CGT purposes) to have bought the shares from you at your CGT base cost (or March 31 1982 value, if appropriate) plus indexation relief up to the month of transfer. Ask your tax inspector for the free pamphlet CGT15 (1989) – Capital gains tax: a guide for married couples. You may also like to ask for pamphlet CGT16 (1989) – Indexation allowance: disposals after 5 April 1988.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Divided equally

I am aged 69 and my wife is 60. As a retired teacher she receives a pension of over £5,000 a year. We are joint owners of our property: a bungalow and eight acres of land recently valued at £240,000. Our assets in unit trusts and shares, roughly divided equally between us, amount to £90,000 and we have joint accounts in building societies amounting to £45,000.

We wish to leave our estate to be shared equally between our daughter, who is not married and our son, who is married with a baby. I would be grateful if you could explain the exact meaning of the terms "joint tenants" and "tenants in common."

■ Under a joint tenancy, the whole beneficial interest in the property subject to the joint tenancy accrues automatically to the survivor(s), on the death of one joint tenant. With a tenancy in common the legal title accrues in the same way, but the beneficial interest is treated separately and will pass as directed in the Will (or under the intestacy) of a deceased tenant in common. In the situation which you describe, you should consider making gifts by Will to your children of up to £118,000, of half the shares and building society money (some £65,000-£70,000) so as to take advantage of two nil rate bands on the successive deaths of you and your wife. You can also give up to £3,000 per annum each without incurring any Inheritance Tax liability and leaving your nil rate band intact.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	Compounded return for taxpayers at 40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	5.00	5.10	4.06	monthly	1	under 5,000	0-7
High interest cheque	9.20	9.60	7.68	monthly	1	5,000-9,999	0
High interest cheque	9.40	9.80	7.84	monthly	1	10,000-24,999	0
High interest cheque	9.60	10.0	8.00	monthly	1	25,000-49,999	0
High interest cheque	10.20	10.70	8.56	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
High interest access	9.00	9.00	7.20	yearly	1	500	0
High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.50	10.50	8.40	yearly	1	10,000	0
90-day	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999	90
90-day	11.50	11.83	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-25,000	1 mth
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th Issue♦	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.75	11.31	9.05	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	14.22	12.18	10.00	half yearly	4	-	0
8pc Treasury 1992	14.03	11.86	10.58	half yearly	4	-	0
10.25pc Exchequer 1995	12.93	10.19	8.55	half yearly	4	-	0
8.5pc Treasury 1994	13.38	10.94	9.54	half yearly	4	-	0
3pc Treasury 1992	12.05	11.20	10.70	half yearly	4	-	0
Index-linked 2pc1988§§	10.63	10.11	9.60	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000.♦ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

FINANCE & THE FAMILY

Building woes

THE COLLAPSE in UK house sales has hit construction companies and building material suppliers hard — particularly those heavily dependent upon the housing market in southern England.

This week sees final figures from three large building material groups, Steetley, Marley and Redland, while Barratt, one of Britain's biggest housebuilders, reports half year figures on Wednesday.

Steetley and Redland have large Continental European interests — Steetley last week announced a £92m purchase of a French aggregate and concrete businesses — which will have more than offset any softening in UK housing related profits. Steetley on Tuesday is expected to announce profits of between £103m to £109m (£87.4m).

Forecasts for Redland, which reports two days later, range between £240m to £250m (£221.5m).

Marley, which also reports on Tuesday, is more dependent on the UK housebuilding and residential repair maintenance and improvement markets. Profits are forecast to fall to around the £55m mark compared with £70.2m last time. Barratt is forecast to return half year figures of £24m to £28m compared with £32.5m at the same stage last year.

Kingfisher, the retail group whose £568m bid for Dixons, the electrical goods retailer, is being considered by the Monopolies and Mergers Commission, will report annual results to the end of January on Wednesday. Analysts are looking for around £195m pre-tax, compared to £175.3m last time, a figure which excludes property realisation profits and adds back exceptional reorganisation costs.

On Thursday interim results from Burton will show how badly it has been hit by higher interest rates. Analysts are looking for a drop in profits from £117.5m last time, though in a wide range around £112.5m.

The City is predicting that Pearson, the publishing, banking and oil services group which owns the Financial Times, will report pre-tax profits of £230m-plus when it unveils its full-year figures on Friday. This will compare with £198.9m in the previous year — although the rate of earnings growth will be more modest.

Book publishing profits are expected to be lower, and some interest may centre on the extent to which Penguin's problems have been overcome.

Analysts may also focus on the trading environment for the newspaper interests, especially the provincial papers owned by Westminster Press. However, Lazards, the merchant banking arm, should contribute strongly.

Meanwhile, falling circulation and advertising revenue at United Newspapers' national titles — the Daily and Sunday Express and the Daily Star — are expected to limit 1989 pre-tax profit to last year's level of about £108m. The group reports on Thursday.

Peninsular and Oriental Steam Navigation, the shipping, construction, property and services group, is expected on Tuesday to report pre-tax profits of £385m for the year to December 31. This 21 per cent increase on last year is helped by the sale in early 1989 of a 10 per cent stake in Taylor Woodrow, estimated at £20m.

Prudential and Sun Life, both reporting this week, saw their share price fall by 10 per cent in February. However, the Pru remains a classic defensive stock, benefiting from a surge in its life profits and a dividend increase of around 16 per cent expected. For Sun Life a 15 per cent rise in dividend looks likely with pre-tax profits up by around 20 per cent.

On Thursday, Polly Peck International is due to report the results for one of the most significant years in its history. Analysts expect pre-tax profits of about £152m, up from the 1988 pro-forma pre-tax profits of £112.2m it announced a year ago.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Acorn Computer	Dec	1,320‡	(1,640‡)	3.8	(1.7)	-	(-)
Arcolectric	Dec	217	(613)	2.26	(6.04)	0.98	(0.98)
Automated Sec.	Nov	23,300	(19,100)	17.9	(15.7)	4.25	(2.7)
BAT Industries	Dec	2.04bn	(1.64bn)	76.7	(62.9)	30.0	(20.1)
Beauford	Dec	2,980	(1,840)	17.2	(14.3)	5.52	(4.6)
Bemrose Corp.	Dec	4,010	(5,480)	14.7	(24.4)	11.3	(11.0)
Bluebird Toys	Dec	2,180	(2,260)	17.3	(22.8)	6.75	(6.75)
BNB Resources	Dec	4,450	(4,005)	11.5	(9.8)	4.0	(3.5)
Booker	Dec	90,500	(78,700)	37.1	(36.8)	19.5	(18.0)
Bowthorpe Hldgs.	Dec	44,500	(40,090)	16.3	(15.3)	5.0	(4.0)
Brake Brothers	Dec	11,750	(9,630)	16.9	(14.0)	4.2	(3.4)
Britannic Ass.	Dec	15,360	(13,351)	24.8	(21.5)	20.75	(16.5)
British Dredging	Dec	4,000	(3,080)	14.5	(12.9)	7.0	(6.0)
British Mohair	Dec	4,540	(5,290)	23.3	(26.1)	8.5	(8.0)
Brompton Hldgs.	Dec	1,460	(24)	8.2	(-)	-	(-)
BSG Int'l.	Dec	23,400	(23,100)	7.57	(8.01)	3.2	(3.0)
Cambridge Elec.	Dec	11,100	(15,000)	15.2	(22.5)	10.1	(9.35)
Canning W	Dec	9,030	(7,082)	21.7	(21.3)	7.15	(6.5)
Carbo	Dec	4,550	(3,830)	20.1	(17.0)	6.9	(5.7)
CIA Group	Dec	1,820	(862)	9.14	(5.71)	-	(-)
Clyde Petroleum	Dec	7,860	(4,050)	1.6	(1.5)	1.15	(1.0)
Colorgraphic	Dec	3,780	(2,980)	19.1	(16.3)	6.7	(5.71)
Cookson Group	Dec	183,000	(178,000)	31.2	(31.7)	9.0	(7.75)
Copymore	Dec	142	(1,850)	0.8	(11.1)	2.5	(2.5)
Croda Int'l.	Dec	36,400	(35,600)	19.5	(19.5)	11.0	(10.0)
Edinburgh Oil	Dec	50 L	(86 L)	-	(-)	-	(-)
English & Scott.	Jan	2,660●	(2,480●)	3.29	(3.6)	2.75	(2.5)
Era Group	Dec	631	(4,590)	0.39	(5.58)	1.0	(2.75)
Evans Halshaw	Dec	9,170	(10,030)	27.4	(38.9)	11.25	(10.0)
Ferrum Holdings	Dec	1,580	(551)	5.81	(3.27)	1.5	(-)
Fisher James	Dec	4,230	(3,060)	18.0	(8.44)	5.0	(4.0)
Garton Eng.	Dec	1,580	(1,220)	27.8	(21.3)	7.0	(6.25)
Gaskell	Dec	2,140	(2,310)	27.9	(30.0)	8.3	(7.5)
Geest	Dec	20,030	(18,290)	19.8	(18.5)	5.75	(5.0)
Guinness	Dec	691,000	(521,000)	51.8	(38.5)	15.3	(11.5)
Headlam Group	Dec†	966	(969)	6.0	(5.92)	2.4	(2.0)
Hepworth	Dec	102,120	(86,312)	34.3	(28.8)	13.85	(12.0)
Hibernian Group	Dec♣	13,680	(13,070)	15.3	(13.6)	4.8	(4.3)
Hickson Int'l.	Dec	37,120	(26,900)	23.9	(20.6)	8.0	(6.75)
Holders Tech.	Nov	307	(621)	6.7	(14.0)	6.0	(6.0)
Hornby Group	Dec	3,500	(2,400)	28.3	(18.2)	7.5	(5.25)
HTV Group	Dec§§	7,400	(14,400)	6.91	(14.3)	2.5	(3.9)
IMI	Dec	125,300	(108,100)	25.2	(22.2)	9.5	(8.15)
Johnson Cleaners	Dec	18,520	(16,960)	55.3	(51.4)	25.7	(23.1)
Kerry Group	Dec♣	17,130	(12,300)	11.4	(9.4)	2.0#	(1.8#)
Laing John	Dec	57,500	(68,100)	49.4	(52.7)	13.0	(12.0)
Laporte	Dec	107,000	(95,300)	50.4	(43.4)	22.9	(18.9)
Linread	Dec	3,320	(2,840)	17.9	(15.2)	5.7	(4.75)
Mallett	Dec	3,650	(2,700)	17.1	(12.4)	5.6	(4.4)
Manders Holdings	Dec	6,680	(6,120)	14.1	(14.0)	6.85	(6.35)
Matthews Bernard	Dec	9,110	(10,240)	4.5	(6.33)	3.0	(2.5)
Metalrax Group	Dec	7,080	(6,090)	8.79	(7.74)	3.6	(3.16)
Molins	Dec	13,900	(8,600)	32.4	(16.3)	10.5	(9.6)
Morgan Grenfell	Dec	54,300	(34,600)	22.0	(12.4)	12.5	(10.5)
Morrison William	Feb	37,010	(32,200)	11.9	(10.5)	1.3	(1.15)
Mount Charlotte	Dec	47,600	(41,400)	5.7	(4.9)	1.29	(1.10)
Nestor-BNA	Dec	6,050	(4,710)	8.61	(7.58)	3.0	(2.5)
New England Prop	Dec	3,110	(1,510)	2.9	(1.3)	1.0	(0.3)
Refuge Group	Dec	14,210	(14,850)	25.5	(27.0)	24.25	(21.0)
Rentokil Group	Dec	62,030	(50,140)	20.2	(16.4)	5.35	(4.28)
[illegible] Amer.	Feb	1,240◆	(1,060◆)	8.73	(7.45)	7.2	(6.4)
RPS Group	Dec	1,720	(1,090)	9.39	(6.3)	2.8	(2.2)
RTZ	Dec	1.104bn	(879,000)	62.8	(49.2)	18.5	(15.0)
Rugby Group	Dec	89,790	(72,640)	20.1	(16.0)	6.45	(5.2)
Runciman Walter	Dec	5,600	(4,060)	41.6	(29.4)	15.0	(10.5)
Rutland Trust	Dec	15,360	(12,095)	3.59	(2.96)	0.8	(0.63)
Schroders	Dec	46,600	(30,100)	148	(95.5)	25.0	(19.5)
Scott & Robert.	Dec	7,780	(7,730)	18.7	(22.6)	7.5	(5.0)
SD-Scicon	Dec	7,230	(13,350)	0.59	(4.01)	0.75	(0.75)
Sea Containers	Dec#	100,000	(85,200)	-	(-)	-	(-)
Sharpe & Fisher	Dec	2,920	(2,610)	9.4	(8.1)	4.0	(1.0)
Sheffield Insul.	Dec	5,460	(3,220)	17.4	(12.4)	3.3	(-)
Shorco Group	Dec	965	(890)	21.1	(15.1)	4.5	(3.75)
Smith & Nephew	Dec	144,000	(124,200)	9.8	(8.7)	4.25	(3.8)
Spring Ram Corp.	Jan	24,100	(16,600)	8.6	(6.9)	0.4	(0.33)
Standard Chart.	Dec	67,000	(313,000)	-	(115)	35.0	(38.9)
Steel Burrill	Dec	6,830	(3,730)	16.4	(11.7)	11.0	(10.0)
Telemetrix	Dec	4,180	(2,110 L)	2.5	(-)	0.5	(-)
Third Mile Invs.	Dec	369	(286)	12.8	(11.9)	3.35	(3.35)
Tibbett & Britt.	Dec	9,060	(6,320)	18.7	(15.3)	7.5	(6.0)
Trinity Int'l.	Dec	17,650	(14,800)	20.6	(16.5)	7.2	(6.0)
Tullow Oil	Dec♣	190	(405 L)	0.2	(-)	-	(-)
Turriff Corp.	Dec	5,820	(4,350)	53.6	(35.7)	15.0	(11.5)
Tyne Tees TV.	Dec	7,100	(7,820)	44.1	(49.6)	19.0	(17.2)
Wassall	Dec†	3,230	(502)	10.7	(6.1)	2.2	(1.0)
Western Motor	Dec	12,360	(10,080)	70.7	(68.3)	18.0	(12.0)
Wilson Bowden	Dec	40,300	(39,000)	40.1	(38.9)	7.6	(6.72)
World of Leather	Dec	88 L	(2,080)	-	(16.8)	1.6	(4.5)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alba	Dec	2,740	(3,006)	1.5	(1.5)
Benchmark Group	Dec	732	(649)	0.75	(-)
Benson Group	Nov	490 L	(516)	-	(-)
Blue Arrow	Jan♥	8,120	(9,860)	-	(-)
Caird Group	Dec	3,030	(1,702)	3.5	(2.5)
Castle Communication	Dec	1,230	(803)	4.0	(3.5)
Cooper Frederick	Jan	2,310	(4,500)	1.5	(1.35)
Cramphorn	Dec	184	(153)	2.0	(1.65)
Gabicci	Dec	644	(851)	1.4	(1.4)
GR (Holdings)	Dec	895	(6,490)	0.4	(0.4)
Ilco	Dec	335 L	(1,500)	-	(-)
Maunders John Group	Dec	4,080	(3,730)	2.3	(2.1)
Mowat Group	Dec	854	(2,040)	0.5	(0.5)
Paterson Zochonis	Nov	11,650	(10,920)	2.05	(1.95)
Pressac Holdings	Jan	1,020	(1,170)	0.75	(0.5)
Renishaw	Dec	5,000	(3,500)	2.0	(1.4)
Savage Group	Dec	500	(3,800)	1.5	(1.5)
Scholes Group	Dec	2,530	(3,860)	2.6	(2.6)
Sirdar	Dec	3,190	(3,850)	1.65	(1.65)
Walker Thomas	Dec	167	(150)	0.26	(0.26)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.‡ Figures are net earnings quoted in US dollars.♥ 1st quarter figures.† Last years figures for 11 months.‡ Operating profit before tax.◆ Gross income.§§ This years figures for a 5 month period compared with the year ended July 31 1988.# Dividend payment for A ordinary shares.♣ Figures quoted in Irish punts & pence.● Net revenue.

RIGHTS ISSUES

Bluebird Toys is to raise £5.9m via a one-for-four rights issue at 150p.
Castle Communications is to raise £4.3m via a two-for-nine rights issue at 400p.
Cramphorn is to raise £4.7m via a three-for-seven rights issue at 400p.
Nestor-BNA is to raise £17.2m via a one-for-three rights issue at 104p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Citybond Storage Services which joined the Third Market in January plans to step up to the USM later this year.
Intrum Justitia plans to raise £15m when it joins the London stock market in June.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
AMI Healthcare	370*	371	378	245.65	Co.Gen.des Eaux
Br. Kidney Pats IT	#	305	290	#	N'thumberl'd Tst
Camford Eng.	305*	315	244	57.92	Markheath
Chemoxy Intl.	450*	[illegible]	268	13.30	Suter
City Gate Estates	140*	135	92	19.46	Accura B.V.
Cont.& Ind. Tst.	960	900	843	164.00	Transatlantic
Dunloe House‡	Ir45*§	52	49	7.82	Clayform Props.
Hatfield Estates	230*	239	225	17.32	Lilley
Intl. City Hldgs‡	31	31	34	21.07	York Trust Grp.
Jitra Rubber	62¼	60	60	5.80	Rowe Evans Invs.
Just Rubber	140*	135	72	10.5	Scapa Group
Laing Properties	650*§	682	564	[illegible]	Pall Mall Props.
Paragon Comms.	153¾	149	128	8.35	Shandwick
Really Useful Grp	233*§	234	218	77.4	Jorrabon (No.28)
Regentcrest	15*	14¼	12½	6.5	Wolverhampton
Runciman (Walter)	[illegible]	548	472	46.8	AB Avena
SAC Intl.‡	105	107	117	21.45	Ricardo Grp.
Stretchley	262	273	249	94.73	Compass
Western Motor	788*	[illegible]	675	95.59	Tozer Kemsley

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡‡Unconditional.**Based on 2.30pm prices 23/3/90.†At suspension. §§Shares and cash. # Offer is 105pc of fav of BKPAIT.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Aitch Holdings	Friday	-	-	-
Allied Partnership Group	Tuesday	0.75	1.0	1.0
Ambassador Security Group	Wednesday	-	-	-
ASD	Tuesday	1.375	6.5	1.7
ATA Selection	Friday	0.84	1.3	1.0
Atlas Converting Equipment	Wednesday	3.5	6.5	5.0
Bardon Group	Monday●	0.62	2.48	0.66
Bedford William	Monday	-	1.0	-
Bensons Crisps	Tuesday	0.5	1.25	0.5
Bilston & Battersea Enamels	Tuesday	1.5	2.7	1.75
Blackwood Hodge	Friday	0.6	0.9	0.65
Boddington Group	Wednesday	1.58	[illegible]	1.85
Bostrom	Monday	-	1.5	2.25
Bowater Industries	Wednesday	7.0	8.25	8.5
BPP Holdings	Monday	3.4	6.0	4.0
Brent Chemicals	Monday	1.25	4.75	1.4
Brooks Service Group	Thursday	1.6	[illegible]	1.84
Brown & Jackson	Monday	0.1	0.4	0.5
Bunzl	Tuesday	2.4	3.3	2.5
Burmah Oil	Thursday	7.0	12.0	8.0
Business Technology Group	Wednesday	1.25	1.75	1.5
Capital & Regional Props.	Thursday	0.2	0.4	0.3
Clarkson Horace	Thursday	2.25	4.0	2.5
Clayform Properties	Wednesday	3.1	6.4	3.5
Clifford Foods	Tuesday	3.6	6.4	3.6
Computer People Group	Monday	1.45	3.4	1.75
Conder Group	Tuesday	3.0	6.0	6.0
Dauphin	Thursday	1.3	2.7	1.5
Derwent Valley Holdings	Tuesday	1.5	4.6	2.5
Dolphin Packaging	Thursday	1.2	1.87♣	1.2
Dunloe House Group	Wednesday	-	-	-
EBC Group	Tuesday	2.7	6.4	3.5
Edmond Holdings	Wednesday	0.5	1.2	0.65
Epwin	Monday	1.6	3.7	1.8
Estates & General Investments	Monday	1.1	2.3	1.225
European Home Products	Thursday	2.5	3.5	2.8
EW Fact	Thursday	-	-	1.0
Executex Clothes	Tuesday	1.5	-	-
Explaura Holdings	Wednesday	-	-	-
Fitch-RS	Thursday	3.0	6.5	3.5
Gardner DC Group	Thursday	1.1	2.2	1.1
Gibbs & Dandy	Wednesday	1.0	1.75	-
Grampian Holdings	Wednesday	1.13	3.6	1.3
Guardian Royal Exchange Ass.	Thursday	3.5	6.5	4.0
Guidehouse Group	Friday	0.4	1.0	0.4
Hambro Countrywide	Tuesday	1.1	1.5	-
Hawker Siddeley Group	Wednesday	8.4	14.1	10.0
Herring Son & Daw Holdings	Wednesday	1.5	2.5	2.5
Hogg Robinson & Gardner Moun...	Wednesday	2.5	4.0	2.75
House of Lerose	Wednesday	3.0	7.0	3.0
Iceland Frozen Foods	Tuesday	1.7	3.55	2.0
Jeyes Group	Thursday	-	0.9	1.9
Kingfisher	Wednesday	3.3	7.2	3.6
Laing Properties	Thursday	4.5	6.75	5.0
Lincoln House	Friday	-	-	-
London Forfaiting Company	Thursday	2.625	4.625	2.625
London & Metropolitan	Tuesday	1.95	4.25	2.4
Lopex	Tuesday	2.4	5.6	2.9
Macfarlane Group (Clansman)	Thursday	1.75	2.8	2.3
Malaysia Mining Corp. Bhd.	Tuesday♥	2.0	3.0	4.0
Marley	Tuesday	2.1	4.25	2.1
Mayborn Group	Tuesday	1.3	2.5	1.3
MEMEC (Memory & Electronic)	Monday	1.4	3.8	1.5
Monument Oil & Gas	Wednesday	-	-	-
NMW Computers	Thursday	-	0.25	-
Page Michael Group	Wednesday	0.5	1.0	0.6
Pearson	Friday	7.5	10.5	8.0
P-E International	Monday	1.4	3.1	1.7
Peninsular & Oriental Steam	Tuesday	10.5	15.0	12.5
Pittard Garnar	Tuesday	1.75	4.15	1.95
Plasmec	Thursday	1.5	2.7	1.8
Polly Peck International	Thursday	2.2	5.0	5.0
Portmeirion Potteries (Hldgs)	Thursday	2.35	-	1.8
Prudential Corporation	Tuesday	2.7	6.3	3.1
Radius	Thursday	0.75	1.9	0.75
Redland	Thursday	6.25	13.55	7.5
Relyon Group	Thursday	2.1	4.15	2.1
Rockware Group	Wednesday	1.0	1.25	1.2
Rotork	Monday	3.25	4.0	3.5
Scottish Heritable Trust	Tuesday	2.5	3.5	3.0
Senior Engineering Group	Wednesday	1.0	1.6	1.06
Singer & Friedlander Group	Tuesday	0.75	1.25	1.0
Slough Estates	Thursday	3.3	5.8	4.2
Stag Furniture Holdings	Wednesday	2.5	4.25	2.75
Steetley	Tuesday	4.0	7.5	4.75
Storm Group	Thursday	-	-	-
Sun Life Assurance Society	Wednesday	12.58	26.11	13.84
Sykes-Pickavant Group	Monday	2.25	3.5	2.25
Technology Project Services	Monday	1.8	3.4	2.2
Thames Television	Thursday●	4.75	10.25	5.15
Thomson Corporation	Wednesday#	11.0	11.0	10.3
Thornton Asian Emerging Mkts	Monday	-	-	-
Thurgar Bardex	Thursday	0.85	1.65	0.85
TT Group	Monday	1.0	2.0	1.5
TV-AM	Thursday	1.5	5.0	2.0
United Newspapers	Thursday	7.5	13.0	7.5
Usborne	Monday	0.5	1.0	0.5
Weir Group	Wednesday	2.25	4.75	2.5
Wembley	Thursday	0.6	1.0	0.7
Wilkes James	Thursday	3.5	4.25	4.25
Willis Faber	Tuesday	3.85	7.61	3.85
INTERIM DIVIDENDS				
Adwest Group	Friday	1.25	5.75	-
Barratt Developments	Wednesday	3.21	10.18	-
Bridport-Gundry	Thursday	1.9	6.1	-
Burton Group	Thursday	2.8	6.4	-
China & Eastern Investments	Friday◆	-	0.03	-
Colroy	Wednesday	2.0	5.5	-
Druck Holdings	Thursday	2.5	4.9	-
Frogmore Estates	Wednesday	2.6	6.4	-
Halstead James Group	Tuesday	3.75	5.75	-
Lloyd Thompson Group	Monday	1.9	4.1	-
Melville Group	Thursday	1.5	3.4	-
Murray Ventures	Thursday	2.5	4.7	-
Ossory Estates	Monday	0.3	0.45	-
Ramar Textiles	Monday	1.75	1.75	-
Town Centre Securities	Thursday	0.6	1.2	-
Trafford Park Estates	Monday	1.7	3.45	-
TR City of London Trust	Tuesday§	0.77	0.77‡	0.77†

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.§ 3rd quarter figures.‡ 2nd interim dividend.† 3rd interim dividend.♥ Malaysian sen per share gross.◆ US dollars.# US cents per share.♣ Dividend for 7 month period ended 31/12/88.● Figures due are for a 9 month period.

MINDING YOUR OWN BUSINESS

Thoby's favourite dish — fish

IN THE mid-1960s, Britain had 6,500 fishmongers. Now, there are 3,500 – yet we are told constantly to eat more fresh fish so that (among other things) we can prevent iodine deficiency and lower the risk of heart disease. The key word is "fresh."

Once, the nation's fish really was fresh. Now, what we see in the local supermarket can be anything between several days and several weeks old. Holding stocks is a difficult problem, and most of the fish we buy is either frozen at sea to industrial temperatures, or frozen after a short shelf life. Both methods damage taste, texture and quality.

Even more to the point, there are growing worries about pollution of fishing grounds – thus, the importance to customers of knowing exactly what they are getting. Here, JANE McLOUGHLIN finds two entrepreneurs who are providing just such a service.

THOBY Young remembers the fish being delivered to the door of his family's home in Bayswater, west London, early in the 1960s – landed the day before on Grimsby docks, sent by rail to the capital overnight, and on the table for lunch. Supermarkets and convenience shopping put paid to the deliveries, while refrigeration at sea and more sophisticated trawlers changed the whole concept of "fresh" fish.

Young had intended to make a career in the media. At heart, though, he was a young man waiting for the Social Democrats to happen. He dropped out of university, then found political back-room boyhood "not economically viable" and did this and that – music promoter, video producer, even marketing a glass-blower – until fish opened the door to a whole new entrepreneurial world with an environmentally-friendly product and a strong public service element.

Planning a surprise for his wife's birthday, he talked to a friend who was going to supply fresh oysters for the feast. The friend had problems delivering supplies from the south coast to London restaurants and Young volunteered to help out.

In this way, he learned about marketing fish from the viewpoint of those who buy, cook and eat it. And he found: "The normal distribution process to a sales point involves a series of middle men. Each one has to inspect and expose the fish, and the proceedings can take several days after landing. It's hard to tell how old a fish is."

Most of Britain's fish comes from the North Sea, where questions have been raised over the effect on them of the high levels of chemical and sewage pollution. Young was prepared to bet that people with an eye on health (not to mention taste) would also be interested in buying fish delivered direct from fishing grounds which his promotion spiel describes as "the vast expanses of the Atlantic Ocean around the western-most tip of England, where great tides ebb and flow." He went into business on his own last year with a direct delivery service to customers in central and south London.

"The business of supplying restaurants had built up from £350,000 to £750,000 a year," Young says. "But I decided to branch out on my own to concentrate on personal clients. This was partly because of restaurants' terms of payment. They take between 30 and 90 days to settle accounts whereas, delivering direct to the consumer, I get cash on delivery and settle with my agent every seven days."

In his first six months, he aims to shift 40 boxes a week of stone or half-stone packs. A stone of mixed fish costs on average £30-35, and he would expect to sell about 30 stone a week. "Because of the weather recently, I'll be lucky to hit that this year," he notes. "But the five-year target is to multiply sales by 10."

Overheads are minimal because Young, 30, works out of his home in Peckham, south London. His agent in Cornwall supplies the fish cleaned, filleted, weighed, labelled and packed in plastic bags between layers of ice in polystyrene boxes which can be re-used five or six times.

Young says: "I spend the early part of the week drumming-up orders. I put through my orders on Thursday, the agent makes them up in Cornwall and sends them to London in chilled vans. I hire a covered trailer to make deliveries – all passed by the environmental health people. Total distribution in London takes six or seven hours and on Friday the customer has the fish ready for the fridge, freezer or the frying pan."

Young started his business without capital investment – for instance, hire of the covered trailer costs £6; a refrigerated van would have meant a capital outlay of £15,000 – and pays himself £150 a week. Finding orders is probably the hardest part. The minimum he accepts is for 7 lb; thus, even taking into account the wide variety he can supply, his customers are not housewives who want a nice piece of cod for the children's tea. "My clients buy for a special occasion, or to freeze really fresh fish themselves," he says. "The average clients find they eat half a stone in about a month, although we have people who come back two weeks later. Thirty-five to 40 per cent of orders are repeats."

Word of mouth has been his most effective sales medium. He does well in City banks, where friends initially put up customised advertising leaflets. "Yuppies like the idea of having goods delivered. The personal service gives them a certain cachet." Reaching potential clients remains a problem, though. Leaflets in specific areas have led to a few scattered inquiries – but many people treat leaflets as junk mail and throw them away unread.

"There's no market research to give an idea of demand," says Young. "It's the same on price. I can only compare my prices with supermarkets. I'm cheaper than Selfridges food hall, for instance. I don't have the overheads, like staff and premises. My strength is that I don't have any stock I haven't already sold."

■ *Thoby Young Fish, 41 Blenheim Grove, London SE15 (tel. 01-639-7182)*

Trevor Humphries

Thoby Young . . . now the world is his oyster

David Deeth makes a delivery. Setting-up the business solved the problem of his career

Memories are made of this

BUCKLAND St Mary, a village in the hills beyond Taunton in Somerset, is not the sort of place to make the casual visitor think of fish. Rather, it puts you in mind of farming, weaving – perhaps even as the setting for romantic fiction. But when Mouche Deeth and her late husband gave up their hotel on the Welsh coast and moved there with son David and daughters Brigitte and Nicolette, fish proved a positive inspiration in answer to the problem of David's career.

Mouche says: "He had left school at 16 and worked on the trawlers and he wanted to run his own business. There was just the one shop in Taunton which sold fish with fruit and vegetables, so we did some market research asking people if they'd be interested in having fish delivered, hired a van and tried it out." Now their business, Neptune's Larder, is a family partnership, with David and his sisters all delivering within a 30-mile radius of Taunton. Mouche herself prepares and cooks a range of specialities including lobster thermidor and baked crab, and her mother has been called in to help cope with the upsurge in trade.

The family started with that single van. At first, they made a daily 150-mile round trip to Plymouth to meet the fishermen as they landed in the early hours of the morning. These days, they are supplied by an agent in Bristol who delivers to the converted garage of their home at 4 am.

Until recently, the girls were working part-time. On that basis, the business had a gross turnover of about £2,000 a week; but now they are full-time, the turnover is expected to increase. They allow themselves about £100 a week each in wages although, of course, the company covers such outgoings as tax, National Insurance and petrol. "We could treble it if we could get the people, but we have tried and it doesn't work. We work very hard, and very unsocial hours, but there's extra commitment when it's a family business," says Mouche.

Their delivery fleet now comprises three vans and a four-wheel-drive vehicle (which comes in useful in winter if they are snowed-in and the vans have to be pulled out). The vans are leased and cost £500 a week to run. "David makes an average 150 deliveries a day and the girls about 100," Mouche says. The territory includes the city of Bath and remote villages.

Overheads are low because they work from their home. "We never advertise in the paper; but if we want to start in a new area, we write out a leaflet and photo-copy it and take it round. Then, anyone interested rings us. Our costs come from running the vans and freezers for items like smoked salmon. I have a very large kitchen, and we prepare the specialities there. But there's no point in being silly, and we have to charge a realistic price. Ours is a very high-quality product, the fish caught that day and not treated with any preservatives or anything."

Three years ago, the Deeths added a neighbour's free-range turkeys to their range, plus oven-ready chickens. Lately, venison, pheasant and duck have joined the list. "People like to buy fresh food, without antibiotics or chemical preservatives," says Mouche. "They say that what they buy from us tastes the way they'd almost forgotten it could."

■ *Neptune's Larder, Buckland St Mary, nr Taunton, Somerset (tel. 046034-548).*

PERSPECTIVES

Gallipoli: the disaster in the Dardanelles

Seventy-five years after Allied forces invaded Turkey, Jim Bodgener reflects on the high cost to both sides

A STRONG breeze gusted through the cobbled town square of Canakkale, across the Dardanelles from the Gelibolu (Gallipoli) peninsula, on a bright March morning last Sunday. Spray whipped from the white-capped waves. Straining for a better view, young men sat astride the barrel of a long-disabled heavy gun, its carriage torn and twisted from the Allied naval bombardment 75 years ago.

As a bugle sounded the Last Post, the crowd, led by President Turgut Ozal, stood in silent homage to the 125,000 Turks killed in what the nation calls the "victory" of Canakkale. It was Turkey's commemoration of its battle against the greatest operational fleet assembled to that time in terms of tonnage and firepower. The aim was to force a passage through to the Marmara Sea, knock Turkey – which was collaborating with Germany – out of the First World War and open a supply route to Russia. It failed.

The campaign followed decisions in London and Paris that an eastern success was needed to offset appalling Allied casualties on the western front. To secure the Gallipoli peninsula, an expeditionary force of British, French, Australian and New Zealand troops was cobbled together hastily and landed on the morning of April 25 1915. This enormous amphibious assault was sound strategically but improvised and executed haphazardly. The result was a military disaster.

Expecting a walkover, the British came ashore at beaches around Cape Hellesat, the tip of the peninsula. The Australian and New Zealand (Anzac) contingent was slightly but disastrously off-target at Ari Burnu, 25 kilometres up the coast. Many landed in what later became known as Anzac Cove. The Turks were waiting and provided unexpectedly obdurate resistance.

After initial bloodbaths, by May 8 both fronts had settled into grinding trench warfare. The Allies, especially, were mired in a muddle of inexperience and a weak chain of command. Everything seemed ill-prepared: one of the most harrowing sights for the invaders was watching boat-loads of casualties going from ship to ship seeking hospital room. Repeatedly, incoherent orders and undue caution meant crucial opportunities were lost.

Although the Turks, under German command, were scarcely more imaginative in mounting bludgeoning frontal assaults, these were at least pressed home, in contrast to the Allied efforts. Indeed, Robert Rhodes James, the historian and former British MP whose account of the campaign is reckoned generally to be definitive, believes Gallipoli held telling lessons for the Falklands campaign 67 years later when Admiral John Fieldhouse's exhortation to troops, relaxing once ashore, was: "Remember Gallipoli! Get going!"

The one great achievement of the Allied command was the meticulously planned evacuations from the peninsula in December and January nine months later without the loss of a single life. By then, though, the Allied death toll was around 45,000 and that of the Turks far more – about half of their total 250,000 casualties. Today, the Gallipoli peninsula has 31 immaculate cemeteries and memorials, tended by the Commonwealth War Graves Commission, where 36,000 dead are commemorated – but only 9,000 have identified graves.

Amid the scrub in the tortured, broken ground of the Anzac bridgehead, you can still find the trenches and dug-outs where soldiers clung precariously to the slopes under looming bluffs and ridges, covered thickly now by conifers. The intimacy of this ravined and gullied killing ground, in an area about the size of New York's Central Park, is chilling.

Contemporary accounts indicate that the struggle took on a life of its own as the prospect of final victory or defeat receded. As author Alan Moorehead noted in his book, *Gallipoli* (1956): "It is not defeat or victory which characterises Gallipoli so much as the unearthly drama of the Leviathan of war unleashed so haphazardly on this small peninsula of land."

Indeed, daily existence for the ordinary soldier was a remorseless Hell, filled with the din of continuous rifle and shell-fire and vitiated by endemic dysentery – more Allied casualties were caused by disease than actual battle.

Although Gallipoli has spawned a plethora of recriminations and agonising about what might have been, the simple fact that it was a Turkish victory seems sometimes to be overlooked. Yet, its greatest historical significance was as a crucible for Turkish, Australian and New Zealand nationalism. "Just as Gallipoli freed Australia of a sense of dependence [on Britain], so it freed Turkey of a sense of decay," according to Bill Gammage, an Australian historian and adviser to Peter Weir's 1981 film *Gallipoli*.

The acronym "Anzac" originally was the telegraphic code for the Australian and New Zealand Army Corps when they mustered in Cairo in 1915, and it was seized-on by the press and popular imagination Down Under after the landings. According to another Australian historian, F. M. Cutlack, its sound was "pitiless as a hurled spear – savagely masculine, ruthless, resolute, clean driven home." Eventually, Anzac came to symbolise the "mateship" at the core of the Australian national psyche.

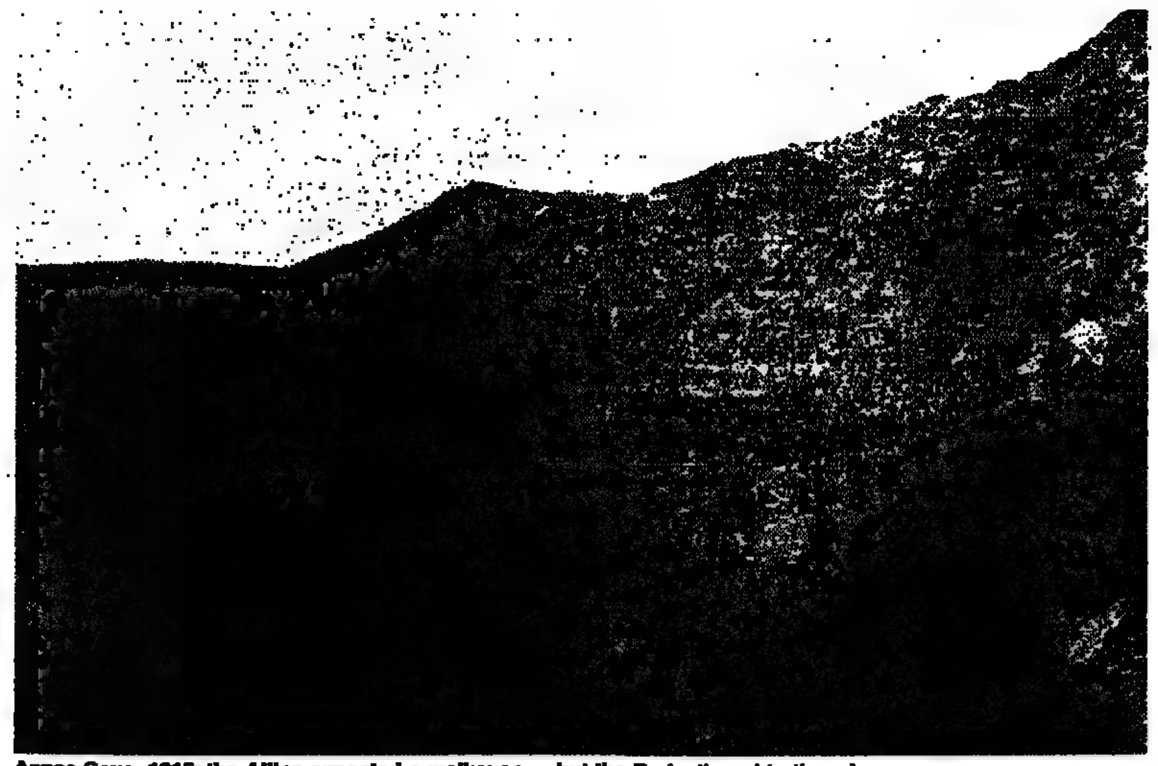
In Australia, particularly, Anzac Day has long been the most important secular holiday. The nation's six colonies federated in 1901 but, as one writer noted in 1907: "The altar has not been stained with crimson as every rallying centre of a nation should be." Gallipoli changed that.

The campaign strikes deep chords of national sentiment in New Zealand, too. On the commanding height of Chunuk Bair, key to the August battle for the Sari Bair Heights – which saw some of the most savage close-quarter combat of the entire campaign – a diplomat remarked with thinly-veiled innuendo last weekend: "The Kiwis held on here for two days – then they were relieved by the British, who were driven off." After Gallipoli, Anzac faith in the so-called infallibility of British senior officers was dashed forever.

For Turkey, the campaign brought to prominence the father of the modern nation – Mustafa Kemal Ataturk, who was later to salvage his republic from the sorry debilitation of the Ottoman empire. Ataturk's inflexible will twice rallied his troops to save the day during the height of battle. And the fact that the Turks won their major victory of the war with their backs to Anatolia, rather than in some crumbling imperial outpost, fired the nationalism driving their struggle for independence early in the 1920s.

Yet as the flower of British manhood expired on the fields of Flanders, the Turkish losses at Gallipoli wounded their nation just as grievously. As Ataturk was to lament: "We buried a whole university at Canakkale."

British Prime Minister Margaret Thatcher will attend Allied commemoration ceremonies at Gallipoli on April 25, but only about 150-200 Britons look likely to go of their own accord (among an expected total of 10,000 pilgrims) and even fewer from France, although the French performance was outstanding on the Helles front. Most foreign visitors will be Australians and New Zealanders.



Anzac Cove, 1915: the Allies expected a walkover — but the Turks thought otherwise

Glasnost in the house of God

Lady Braithwaite, wife of the British Ambassador in Moscow, describes her visit to a Russian Orthodox monastery that has been born anew in the Gorbachev era

WE HAVE been in Moscow for nearly 18 months now, living in the heady atmosphere of perestroika. Not a month has passed without our having not one but half a dozen experiences that would have been inconceivable a year ago, or even a few weeks, such is the speed and unpredictable nature of the changes taking place. However, none of my experiences have meant more to me, and none have more profoundly affected my feelings toward the Soviet Union, than the four days I spent in the newly-opened Russian Orthodox monastery at Tolga, near Yaroslav.

Strictly speaking it is a convent rather than a monastery, but in Russian there is no separate word. It is either a male or a female monastery, and somehow the western word "convent" summons up the wrong image.

We came across it by chance on a family expedition to Yaroslav, one of the great cities of Old Russia, 200 miles to the north of Moscow on the Volga. The monastery had originally been for monks, not nuns, and was a famous and influential place until the Revolution, when it was closed – abruptly and violently. It then became a prison and finally a Borstal or children's "Kolonia," its buildings falling into decay, until last year when it was suddenly given back, rather surprisingly, to a group of Soviet nuns.

There had been no Orthodox convents allowed in Soviet Russia since the Revolution, but one or two managed to survive in the Ukraine and they seem to have provided a nucleus of qualified nuns for Tolga, who were joined by novice nuns from all over the Soviet Union, and from all walks of life. There seems to have been no shortage of applicants. One got the impression that Mother Barbara, the Mother Superior or Igumenia, was able to be selective and could enrol a good number of highly-qualified women, including engineers, economists, accountants, librarians, choir mistresses and icon painters.

It was an amazing sight: the sad ruins of the massive walls and once-beautiful churches, refectories and living quarters, with in the middle a hive of activity – men working and among them nuns, all in severest black apart from some very junior novices who wore long peasant dresses or skirts and head scarves, piling and carting bricks, plastering, gardening, washing floors . . .

All were firmly directed by Mother Maria, the engineer nun, who left her husband years ago but has a teacher-daughter and used to have her own dacha and garden. It was all so totally unlike anything we had seen in Russia before, except, ironically, in pictures of those first, exhilarating, post-Revolutionary days.

We were all invited – children, our driver Konstantin and all – to have tea with Mother Barbara in the one inhabitable building in which all 80 nuns seemed to live, with a small apartment for the Mother Superior. We had tea and melons and various other goodies donated by locals, including ice-cream which, it seemed, the nuns received in large quantities and used to reward the children who came to help.

Patriach Pimon (left), head of the Russian Orthodox church, at a ceremony to mark 1,000 years of Christianity in the Soviet Union

I got carried away while talking to Mother Barbara and said I would love to come back and help. She, without a moment's hesitation, said: "Do come and stay with us," and somehow it all seemed perfectly normal. Back in the sober atmosphere of the Embassy in Moscow it seemed rather less normal but Grace Garrett, the mother of the other family who had been with us, was as enthusiastic as I. So, abandoning our slightly anxious husbands, we set off to drive to Yaroslav.

We did not get there until evening, having timed our arrival for the end of Evensong which should have been around 8.30pm. No-one seemed to be expecting us and the poor novice on duty was worried about letting our car in, making us realise that not everyone is well-disposed towards the nuns. Our hearts fell at this point and we wondered what we were doing, but once in the warm, candle-lit church – recently consecrated in what was originally the refectory – with the nuns singing and local people in the congregation, our doubts and worries melted away and we felt the same powerful atmosphere of the place.

The service, it turned out, was far from over. It went on for another hour (in fact no service we attended lasted less than 3½ hours) but it meant we were there when the priest, one of three who seemed to be attached to the monastery, blessed the church and the congregation. We were all on our knees while he walked around inside the walls, waving his censor and expelling evil spirits.

When he came to the doors he opened them wide. It was misty outside. He held the censor at arm's length into the night, with the light from the church streaming out through the doors intensifying the mist and incense. We felt so safe and warm in this little Christian oasis in a pagan world. It was extremely moving. Then, Mother Barbara swept us off to have supper.

She is a remarkable woman of 42, a nun since she left school with no formal higher education. Her first convent was in the Ukraine. A short, round, homely figure, she is very dignified, especially in church where she has a special high-backed pew on a dais and wears a splendid black cape. Respected by everyone, she has recently returned from seven years in the Russian Orthodox monastery in Jerusalem, where she learnt a certain amount of Hebrew and Arabic, but no English. She is known to everyone as Matiushka.

Supper was the first of many similar meals. The nuns do not eat meat, so fish, eggs and milk products are the main protein foods, with lots of potatoes and basic vegetables. There is bread and butter, honey and a wonderful oatmeal porridge for breakfast. They grow their own produce and they have to grow lots of it, as they feed 200 people a day including all the workers and pilgrims, who eat in separate dining rooms.

They have increased the number of cows to 10, all gifts from local peasants, and they are extremely proud of them. Milk, curd cheese, sour cream and yoghurt formed a major part of our meals. They had just harvested their potatoes, dug by about 30 volunteers. I wondered what they ate before this produce was available; I think they existed largely on handouts.

At midnight we were shown to our room, which was in a separate building where the nuns had renovated two or three rooms for special guests. One was occupied permanently by an old priest who had been blinded in a prison camp in Kolyma. (The nuns are hoping to set up an asylum for retired clergy in due course.) Our room had obviously been newly decorated, with nice wallpaper and curtains. Both of us had an odd feeling that night, going to sleep in a monastery in the heartland of Old Russia.

The next day, Sunday, we were expected to go to the 8 am service. We looked forward to breakfast around nine, but we didn't get out of church until 11.30. Breakfast/lunch was in the refectory, with all the nuns at four long tables and a "high table" for Mother Barbara and the priests. The meal was similar to the previous evening's, but with a nun reading aloud from the works of local saint whose body is in a shrine in their church. Quite where it had been since the Revolution we never discovered.

Later we wandered around the monastery, watching those who were working. A group was busy on the main church, which is being restored from the outside first before a start is made on the interior with its 17th century frescoes, which are in a lamentable state. Previously the church floor had been taken up with a working model of a hydro-electric scheme using thousands of gallons of water. The damp had done the frescoes no good at all, not to mention the graffiti scratched over them by the Borstal inmates.

'It was all so totally unlike anything we had seen in Russia before, except, ironically, in pictures of those first, exhilarating, post-Revolutionary days'.

Then it was Evensong again. This time we were seated at the front among the nuns in the choir, well placed to see all that was going on. All through the service nuns and members of the congregation were coming up to Mother Barbara, confiding their problems, and receiving advice. At one point the novice who had served our first supper went up for a talk. She had to do a penance and started bowing and prostrating herself in front of an icon at least 100 times.

When Monday came we were finally allowed to do some work and were allotted a corner of the monastery to clean, just by the Mother Superior's house where her garden is going to be. We toiled away, hacking at 7 ft nettles and other enormous plants. Fortunately I had brought some gloves and a pair of secateurs, which seem to be unknown in the Soviet Union.

Mother Barbara kept wanting us to rest, or get some food – we found we could get a version of the basic meal, with tea, at almost any hour of the day – from the novices in the refectory kitchens. We lit a bonfire and got a good blaze going in a thoroughly British fashion, but once we started burning the green nettles one of the builders rushed up coughing loudly and saying "No zmoking pleeze" (he had learnt his English as a soldier in East Germany). Perhaps bonfires on our scale were not quite the thing. However, when we returned next morning to finish off our corner, the nettles had gone. Mother Maria had burnt them after we had been sent off to tea, on the still hot bonfire we had left behind. My heart warmed to her even more . . .

Bit by bit we began to find out a little about the nuns and their previous lives. Each had a tale to tell. We could have spent months there listening, but we had to leave before we had hardly started. What impressed us was how close they remained to their families and friends, with all manner of relations constantly visiting. There was a relaxed, friendly atmosphere, not at all unworldy and exclusive. This, I suspect, was always true of Russian monasteries, just as they always welcomed travellers and pilgrims.

In the end we left a day earlier than intended, as Mother Barbara suddenly saw in us her chance to get a lift to Moscow to catch a train to the famous cave monastery of Pechory, near Pskov, in time for a special feast of the Virgin. We sped back to Moscow in record time and got her on to her train. Four days later, on her return trip, my husband's driver offered to take her back to the monastery. He too had some fascinating stories to tell about his experiences there. But that is another tale.

Genius of the Place

A retreat from bedlam

Nigel Spivey on a Swiftian venue

WE ALL know the feeling. You pick up the newspaper, brightly enough, at 8 am. By 8.30, you are beaten; utterly oppressed by the accumulated instances of bloodshed, fraudulence, stupidity, squalor and rank malice of your fellow men.

You wonder if you belong to the same species. You wonder if you should not go straight to the bathroom and slit your wrists. You wonder if it is a built-in purpose of the media, to demoralise us. You wonder how people carry on: then you look at the newspapers which enjoy greatest popularity, and you see that these have chosen to abandon the substance of news, and put fiction, or women's bodies, in its stead. What are we coming to?

You do not have to be of peculiarly pessimistic disposition to suffer from this sort of despair. Nor do you have to be a prude to regard the Sunday *Sport as garbage.It is not a* matter of misanthropy: just sensitivity, and intelligence. Most sensitive and intelligent people, for the sake of a quiet life, learn to accept or avoid the disgusting edges of human behaviour: but there are those who remain capable of weeping in the wake of the Nine o'Clock News.

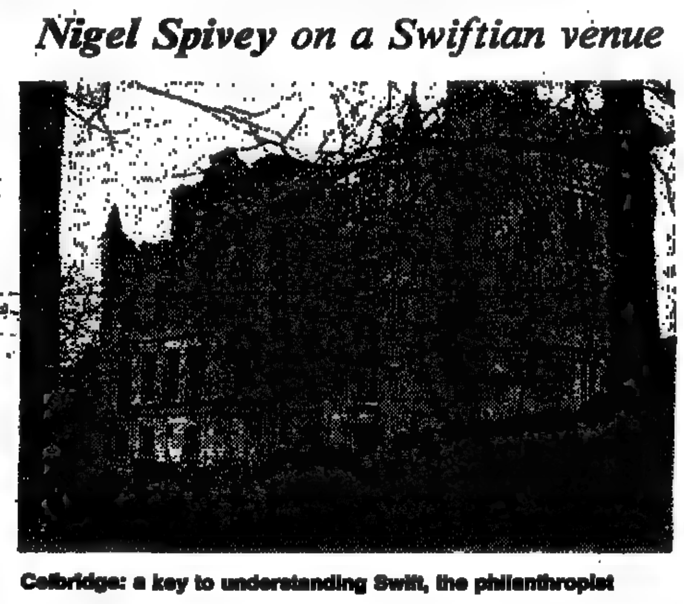
Were he alive today, Jonathan Swift would be one such: and one better, because his natural indignation would be topped by the capacity for combative action, and we might see the vicious members of our society in discomfort or retreat. As it is, the vicious are flourishing: for proof of that go into the average video-shop and see for yourselves the bloodthirsty, titillating trash which in another age might have constituted a subculture.

It is the open efflorescence of such trash that would really astonish Swift. That politicians tell lies, that lawyers are greedy, that pimps abound in London, would hardly surprise him: such vice we have with us always. But the vile videos in the high street, and the pornography on the news-stand: can we tolerate the trash strewn so openly about us?

It seems we can. Clergymen, once out of the pulpit, lack the wit and confidence to emulate Dean Swift. And no writer, at least since George Orwell, has shown a flicker of the common-sense decency that was the motor of Swift's prodigious output; no-one with the skills apparently needed to persuade the liberal establishment that it is harmful to let children watch adults attacking each other with chainsaws.

Dean Swift would not, I think, be much consoled by the news that there is to be an annual seminar organised in his honour. Seminars are worthy events, but they go largely unnoticed by the world; and academic pow-wow about his scatological verse would not impress the Dean (he might well ask why we are so obsessed with the small proportion of his writing that seems scatological). But Swift would be gladdened by what is going on in the background to this seminar.

The venue is Celbridge, in County Kildare, some 12 miles down the River Liffey from Dublin. Here is a small mansion known as Celbridge Abbey: the river passes through its grounds, and it was here that Swift spent time with the lady he called Vanessa. Her name was Esther Vanhomrigh, and she dearly wanted it to become Esther Swift: but that never happened, and there is no record of anything more than flirtation and book-talk going on between Swift and Vanessa at Celbridge.



Celbridge: a key to understanding Swift, the philanthropist

Swift, whose friendship with another Esther (his Stella) was much easier and closer, eventually wearied of Vanessa's overtures and quit Celbridge in anger. But that does not appear to dissuade the present occupants of the Abbey from turning it into a park on a Swiftian basis (a children's play area with mock-ups from Gulliver's Travels, and so on), as well as hosting the annual seminar (bringing Swift into line with Joyce and Yeats).

Do the present occupants sound like quick entrepreneurs? They are the Brothers of St John of God, and I suspect they need some introduction. This St John of God was one Juan Ciudad, who was incarcerated in an asylum in Granada, Spain, in the 16th century. Those condemned to such asylums rarely got out of them. Juan did so: and resolved to set up his own hospital, a more sympathetic sanctuary for the mentally ill and retarded. His subsequent devotion earned sainthood and the creation of an Augustine order.

Hospitals now run by the Brothers of St John of God exist all over the world: they are not exclusively given over to the care of the mentally handicapped, but it happens that at Celbridge, across the road from Celbridge Abbey, there is a large residential centre for such people. It is called St Raphael's and it does credit to the ideals of Juan Ciudad.

It seemed to me a place of deeply-rooted sanity, exuding pleasant humour and good sense. One of the brothers told me that although there were numerous craft and industrial workshops, the activity preferred by most of the residents was horticulture. And so great beds of hyacinths perfumed the complex, and anüery is organised on a commercial footing. The atmosphere of bedlam could not be more remote.

When Celbridge Abbey becomes a park and a holiday centre, it will provide more opportunities for the people at St Raphael's, managing the grounds and services; more important, as visitors come in, they will lose whatever prejudices they may have had about places such as St Raphael's.

It is no funny farm, no loony bin. It is a workable community, made workable by the ideal of brotherhood. And it would have Swift's approval without doubt. For in his will, the Dean bequeathed his life's savings for the endowment of "an hospital large enough for the reception of as many idiots and lunatics as the income . . . shall be sufficient to maintain." It was duly built and functions to this day as St. Patrick's Hospital, treating psychiatric cases.

Some would see irony in the words of the will, and little benevolence in the provision for "idiots"; but my own suspicion is that Swift was mindful of the etymology of his word. Classical Greek idiotai are simply people who stand out of the system, who refuse the collectivism required by democratic politics: no slur on their sanity is implied. And Swift himself, a victim of what was probably Alzheimer's Disease, will have tried his own fear of the irrational – and realised that idiots may have more claims to sanity than the rest of us.

The Irish regard Swift as patriot. A later inhabitant of Celbridge Abbey was Henry Grattan, the Irish parliamentarian, who claimed inspiration *for his speeches from Swift's* spirit at Celbridge. The current Irish 10-pound note bears Swift's portrait.

It is true that Swift spoke up for Ireland: after all, he was Dean of an Irish cathedral, and beggars lined his own approach to St Patrick's. But, like Doctor Johnson, Swift would have seen small virtue in patriotism for its own sake. If Swift got angry about the state of Ireland, it was because the number of beggars in Dublin was intolerable, not because he was an Irish nationalist.

The key to understanding Swift is not Ireland, but it is Celbridge – and any place which operates from the principles of philanthropy like St Raphael's. Swift was a philanthropist. Only philanthropy can explain his well-known *saeva indignatio*, his savage reaction to the mean aspects of human behaviour.

■ For further information about the Swift Seminar, and the Celbridge Abbey Project, contact Brother Aloysius Shannon, Celbridge Abbey, Celbridge, County Kildare.

Journey into the harshland of northern Kenya

THE FOUR Samburu *moran* – warriors – were alarming. They were chasing our truck as it bore us away from the village of South Horr, at the edge of where the thorn scrubland of northern Kenya gives way to volcanic desert. They looked serious and they had spears.

Our driver slowed, the young men with ochred hair drew up with a shout and declared themselves by producing a brownish-white globe from a satchel. Would we care to buy this ostrich egg?

Our party of 15 Europeans was riding the "Turkana Bus" – actually a battered Bedford lorry – from Nairobi 300 miles north to Lake Turkana which stretches away, green and ultramarine by turns, to the Ethiopian border. The safari was an "overlander" type, undertaken with the maximum of self-reliance consistent with the services of a knowledgeable guide and his helpers. Its purpose was not to look for animals but to meet the people who live in one of Africa's harshest environments.

Mitigating the severity of our own immediate surroundings in the bush each night were Cheke, the expedition cook, and Samuel, his mate. One day out, beyond the Aberdare mountains, rain had nearly washed out the first camp, but these two had conjured a hot meal from a miraculous fire which gave us a certain confidence in the rest of the trip.

Wiry and humorous, Cheke was a Kikuyu who had been a hunter's tracker and guide before Kenya banned killing for sport. Paradoxically, with more armed men in the bush, there was then far less of the poaching that now threatens the elephant and rhino. One reason for this became apparent when Cheke explained that in those days the authorities asked few questions if a hunting party stumbled upon poachers who then suffered an unfortunate but ill-defined accident involving gunshots.

Had Cheke ever killed a poacher? "Yes, two," he said.

Another day's journey brought us to Maralal, the administrative headquarters of Samburu district. The settlement is a collection of buildings made mostly of concrete, odd bits of wood and corrugated iron sheeting, many of them brightly painted in sky blue and other colours. Young touts thronged the main street.

While our driver went to look for a hose for his engine some of us refreshed ourselves in a teashop. East African *chai* is kept on the boil after tea leaves, milk and sugar have been stirred together. Served in glass tumblers, not cups, it is a delicious restorative, particularly when made with goat's milk.

In the street outside, a tall European dressed in a tweed jacket and corduroy trousers was leaning on a stick. Glasses and a handkerchief were stuffed in a breast pocket. When he turned, I recognised the profile. It was Wilfred Thesiger, the explorer and writer. Thesiger's travels in the Arabian peninsula, Iraqi Kurdistan, Central Asia and other wild places set a standard of independence and endurance. Now 79,

Peter Miller goes overland to meet the tribespeople of Lake Turkana

Thesiger physically looks like the landscapes that have shaped his life: huge, craggy, fierce and restless.

His manner, however, is not forbidding. I introduced myself and we talked about this part of Africa, in which Thesiger is literally and figuratively at home. He travelled by camel train here when the area was still the Northern Frontier District and again after Kenya's independence. Now he lives six months in the year in a house which he built himself near Barsaloi.

"Nobody knows anything about camels any more," he told me. He regretted the passing of that kind of knowledge. Thesiger paused to shoo away a beggar with his stick. "Bloody nuisance these people." The remark was robbed of its potential arrogance by the knowledge which Thesiger has of the place and the affection in which he is generally held. The people here call him *Bwana Juu* – "the tall gentleman."

Before I left him, Thesiger repeated to me a remark made in several of his books. "Traditional life died with the invention of the motor car," he said. There is no doubt that time and change have corroded the life he knew best. For Thesiger was in Maralal that day to have his Land Rover repaired.

Our own vehicle mended, we ascended the Losiolo escarpment and looked west to the Suguta valley – a wasteland which even the Turkana tribesmen avoid – and east to the Matthews range of mountains. These we skirted before passing through South Horr and the meeting with the Samburu warrior/entrepreneurs. Arriving at the south end of Lake Turkana in the middle of the night after a jouncing passage across the lava hills, we had to wait for a peach-coloured dawn to reveal the waters, deceptively benign in their stark basin.

In fact, the lake is subject to severe storms, intensifications of the hot wind that blows almost constantly. It is also home to about 40,000 crocodiles which some of the people living along the shore spear for food and commerce.

The lake first came to European attention in 1888 when Count Samuel Teleki von Szek reached its shore after a long trek from what is now the Tanzanian coast. He called it Rudolf, after his sponsor, the crown prince of Austria.

In a new book author Tom Heaton tells how he retraced Teleki's route there and back, mostly on foot and using donkeys as pack animals. In the many months which he spent taking the time, as he puts it, "to stop and stare," Heaton acquired a succession of tribal companions and an insight into African change and stasis. Cattle raiding and bloodshed between tribes, particularly the Turkana and the Pokot, had remained unchanged from Teleki's day to this, except that the raiders were now better armed than before. This caused Heaton a lot of trouble as he crossed from one tribal territory to another, each new group suspicious of his last set of comrades. Among the Africans themselves it gave birth to fear which "squatted in every empty space like a grinning hobgoblin."

Yet the fear co-exists with acts of expansive generosity. Our group was shown only the latter. We travelled up the east side of the lake and spent a morning among the El Molo who fish for tilapia and the leviathan Nile perch. In a gesture of trust the women passed us their small children to touch.

The next afternoon – our last in a camp pitched under doum palms – I was approached by a small boy who said he wanted me to come to the Turkana village that night to witness a dance. So I did, taking with me two or three of our party who were willing to leave our own camp fire. We followed a *lagga* – a dry stream bed – and picked our way across a rough plain. We were unsure of our directions but a moon like a magnesium flare gave us light and the sound of chanting drew us on.

About a dozen young men dressed in *shukas* – a kind of wrap – had formed two parallel lines and faced each other, moving heads and shoulders in time to their own singing. The lines closed, there was a shuffling stamp of feet, and the lines fell back again. One man would be left in the middle to leap once or twice and raise his single voice against the others. The chorus

'The moon gave us light and the sound of chanting drew us on'

had an insistent, reverberating quality.

Other figures, some of them carrying sticks, approached and joined the dancers. The accretion continued piecemeal until there were 30 or more. The lad who had invited us appeared as well and stood at my elbow. Nobody said a word to us. Nobody asked for money. Indeed, nobody even seemed to notice that we were there although, mesmerised, we had got close enough to be jostled by accident from time to time.

At length the nature of the dance changed. A large circle opened and within it small knots of men huddled in scrums. Dropping their heads towards one another they chanted their own words, different ones for every cluster. "They are singing," said the boy, "of their cows, their clan and their hedge (the family groups within the clan)."

When I got back to Nairobi there was a letter waiting for me with a Maralal postmark. It was from the boy, John Katiya. It told me of his news and closed with the fervent wish that God would *"keep thee until the end of thee."*

■ *In Teleki's Footsteps: A Walk Across East Africa. Tom Heaton. Macmillan, £14.95.*

TRAVEL

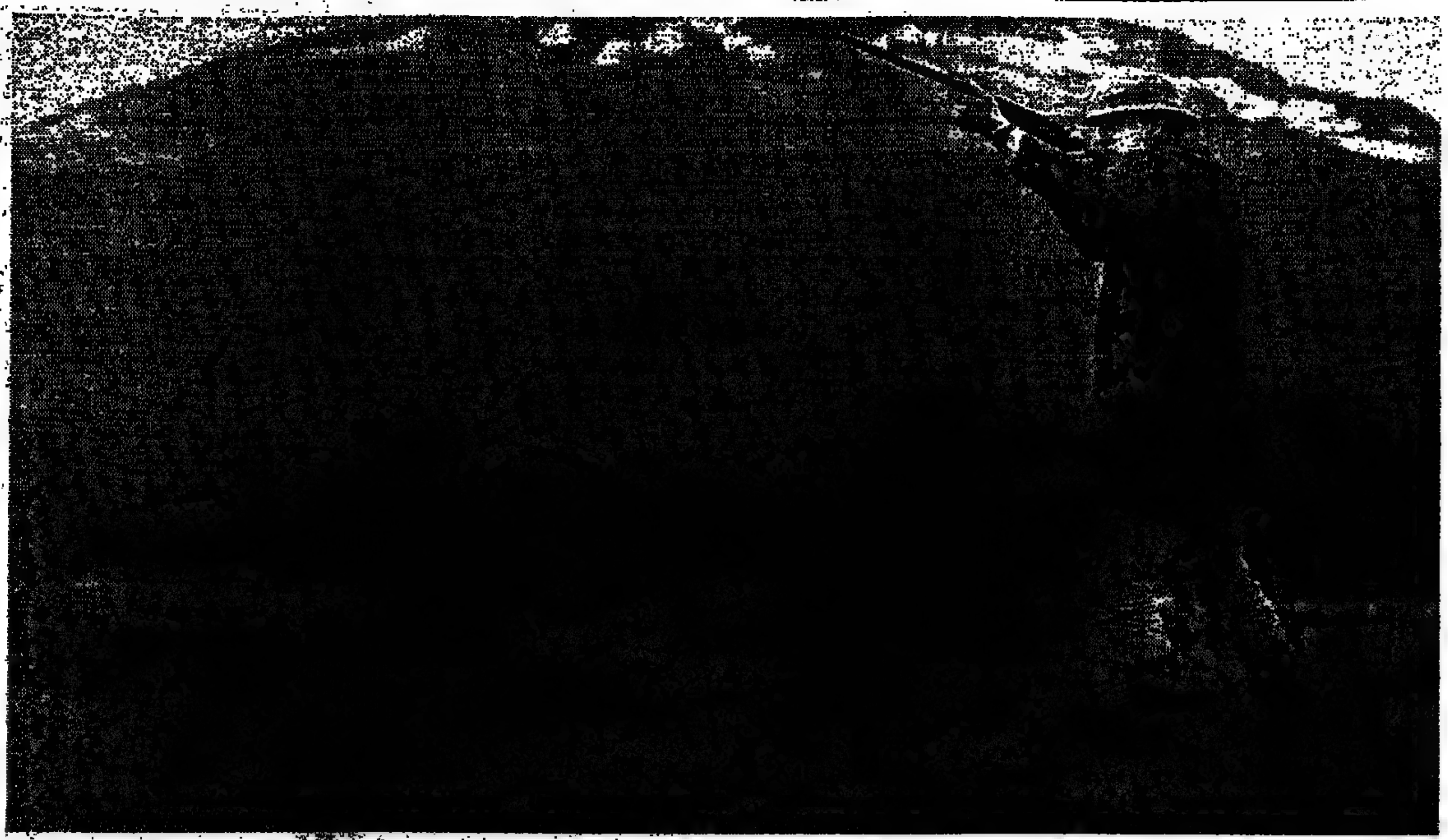
WHY IS IT that environmentalists in Britain have battened on to the Scottish Highlands? The answer is that Scotland — particularly the Highlands — contains the only readily recognisable environment we have left. Anyone peering from his train window on the West Highland line, or Scotrail's Perth to Thurso track, at Scotland's rugged, rolling, rearing hinterland, will find his mouth forming the phrase "true wilderness" before he realises — if he is able — that this is not natural wilderness at all.

The Scottish Highlands, except in their topography, are the product of human management over seven millenia. Mesolithic man enjoyed no grand panorama; he grunted and growled at the edges of a thicket of mixed forest, interspersed with upland bogs.

It has become a cliché of country life in England that the squirearchy under Mrs Thatcher has withdrawn from public life, pulling back into the hills and woods to "mind its manors." Those who own the mass of the Highlands — the "heather lairds," as the Edwardians called them — now see a hydra-headed army of conservationists bearing down on them.

Birnam wood has come to Dunsinane, and in the forest are more self-appointed guardians of the environment than you could shake a stick at. The heather laird, rousted from his reverie, sees ahead not the familiar shrinking of already shrivelled communities, but a clamouring crowd demanding access.

Ramblers, whose boots have crumbled away Snowdonia, demand new paths to grind; skiers plan fresh slopes; ornithologists want peace for rare breeding birds; the forestry lobby presses its doomsday timberless world prognosis on the Secretary of State for Scotland to get access to the very flow country areas that the Mire Conservation Group believes is equal in ecological importance to Brazil's rainforest.



An aid to to the environment: Rough shooting near Kingussie, Scotland

Heather lairds of the Highlands

***Michael Wigan** on the ecological benefits of a sporting life*

Who are the heather lairds? There have been two historical waves of land ownership in the Highlands. The first finished with the Norman conquest when various Norman barons joined the ranks of hereditary Gaelic tribal chiefs. The Jacobite revolutions marginally reordered clan landholdings. Then time stood still until Queen Victoria and Albert, enraptured by all things Highland, rented, then bought, then rebuilt Balmoral, and created a fashion termed Balmoralism.

This left in its wake a new tradition of Highland sport and a body of spirited literature and art (Scrope, Landseer); and also an additional landowning class of new rich English families that bought up chunks of birthright from the clan chiefs. Roughly speaking, this state of affairs persists today.

However, the evolution of the sporting estate is at a turning point. Burdened by an image of old-fashioned country sport conservatism, the sporting estate with its wild deer and impressive raptors is now seen by many environmentalists as the last line of defence against wholesale afforestation.

The potentially plantable area identified by foresters is any soft ground below 1,500 feet. Conservationists believe that this would herald a reversion to Mesolithic ignorance, but lacking the virtues of reproducing the Mesolithic era's rich fauna. They want environment-friendly native birch, native oak, attractive alder, beech, aspen and Scots pine — not gloom-laden firs.

There is a paradox here. The Nature Conservancy Council, manned in Scotland by an assortment of special interest scientists — mire men, flora men, bird men — generally of left-leaning inclination, is now expressing earnest concern about the health of grouse stocks, the satisfactoriness of shooting bags, and so on. In turn, the Royal Society for the Protection of Birds espouses deer stalking as a satisfactory means of land utilisation. The latter's approval of sporting use — even, behind closed doors, the recognition that grouse moors host many of their most precious species — has induced them to buy an estate themselves, at Abernethy.

In the flow country debate of two years ago, conservationists of many stripes stood shoulder to shoulder with shooting people, salmon fishermen (anxious to protect water-retentive river system catchments) and farmers in an effort to head off the conifer crowd. Tree growers lost the battle but won the war: Nigel Lawson tore the tax carpet from under absentee investment landlords. Flow country planting was temporarily suspended, then resuscitated by Malcolm Rifkind when he welcomed fresh planting applications last year. The heather laird has become the champion of the conservationists, but by default. So long as Parliament is unwilling to compulsorily purchase land for forestry (narrowly avoided in 1969), tree planting bodies have to wait until land comes on the market.

Only when the recent waves of planting come up for harvesting will large-scale conifer monocultures in the Highlands be seen in their true colours: an economic failure and a brake on the development of ecologically sound, socially beneficial and financially productive sporting use. Awareness of this, and a discomforting realisation of the very grand divide between successfully establishing trees in the uplands and yielding from them a crop of harvestable timber after 45 years of investment stagnation, has already sunk home in a number of studies very critical of forestry in Britain.

Either the environmental value of sporting and mixed land use is recognised soon or the Highlands will rapidly become one large Scandinavian-style plantation interspersed with heavily trodden national parks and estates owned by single interest charities.

Forestry is irreversible, supplants deer and grouse and queers salmon river catchments. The social and employment benefits of sport, and its financial independence of the public exchequer, will never be persuasive arguments; equally, its out-of-date associations with a leisure-seeking élite tell against it. On the other hand, its benefits to the environment might just turn the tables.

Skiing

Fort Apache on the slopes

***Arnold Wilson** seeks out a resort run by American Indians*

I have retired to my room at the Inn of the Mountain Gods to contemplate a remarkable day's skiing on a sacred mountain swarming with Apache Indians.

To an Englishman, the notion of Redskins on skis is faintly absurd. Our TV diet of westerns has given us some stereotyped concepts about the Apaches.

When I journeyed deep into south west New Mexico to seek out Ski Apache, one of only two ski resorts in the US not only run but owned by American Indians, I half-imagined Indian chiefs, or at least braves, checking my lift-pass and sending smoke signals to announce the last run of the day.

After all, for three centuries the Apaches were the most dreaded warriors in the south-west. The truth now, of course, is that the Indians talk, ski and possibly even think just like the white man. They say "Hi!" rather than "How!" Indeed, it is irritating to discover that Apache waiters have picked up one of the more tiresome American habits of saying a condescending "Uh-hu!" when you thank them for something.

The Inn of the Mountain Gods is a remarkable hotel in the homelands of the Mescalero Apaches just outside Ruidoso in Otero County — 7,200 feet up in the Sacramento Mountains. It is 15 miles or so from the Sierra Blanca peak which rises from nowhere in the middle of the yucca-strewn scrub and desert flatlands to 12,000 ft.

The White Mountain was a landmark for the first Spanish explorers as they pushed north from Mexico 400 years ago. It can be seen 100 miles away and it was their first sign, after mile upon mile of hot and dusty terrain, that they were approaching a region of tall pines, grass and fresh water.

The Inn is a huge and attractive enterprise in the heart of the Apaches' 460,000-acre reservation some 200 miles south-east of Albuquerque. With 250 rooms, the hotel is built on the banks of the picturesque Lake Lucero. Three flags — two Apache plus the inevitable stars and stripes — flutter in the warm night air. In spite of copious snow on the mountain, the summers are hot and winters almost balmy.

Something like 100 hotel staff are Indians, though disappointingly the excellent menu in the unexpectedly plush dining room pays scant regard to traditional Apache fare, with nothing resembling grilled deer or boiled buffalo.

It is odd to recall that not so long ago the people who built the inn lived in hovels. But Wendell Chino, great-grand-nephew of Geronimo and president of the Mescalero Apaches for more than 30 years, has changed all that.

It was Chino who embarrassed the Bureau of Indian Affairs into lending the tribe $1.5m to buy the Sierra Blanca ski resort in 1963 after successfully persuading a New York insurance company to come up with the money if the bureau failed to. Banks in New Mexico, Arizona and Texas had already turned him down. The Apaches were awarded $8.5m through the federal Indian Claims Commission, and in 1975 the tribe built and opened the Inn of the Mountain Gods, which offers guests skiing, tennis, golf, bingo and, somewhat alarmingly in Apache country, archery. You can also hunt elk, white-tailed deer, pronghorned antelope, black and brown bear, turkey and mountain lion.

When I asked Chino's wife, Rita, a jolly and charming member of the Pueblo tribe, whether she became irritated by "cowboys and indians" questions, she laughed. "We're very thick-skinned," she said, looking far younger than her threescore years. "We have skins like rhinoceroses. My husband always says John Wayne spent years shooting Apaches, but he's gone and we're still here."

Sierra Blanca, partly on the Indian reservation and partly in Lincoln National Forest, certainly seemed a magical place as I accompanied Roy Parker, the resort's manager for the last 25 years, and Rick Vincent, an aimiable and effective head of the ski school, across to the top of Apache Bowl, the highest trail on the mountain.

Eight thousand feet below us was the White Sands desert where gypsum from a dried-up lake bed has blown in grain by grain. The sands are used as a reserve landing site in Nasa's space shuttle programme. So far they have only been made use of once, by Columbia in 1982 when the landing site at Edwards Airforce Base was waterlogged.

To the right was the ridge overlooking the sinister and still forbidden zone of Trinity, the site of the world's first atomic bomb test in Tularosa Basin. Signs erected in August 1954, and now barely legible, warn the curious to keep out. Among those who would like to get in are treasure hunters: there is a wonderful yarn that a priceless collection of gold bars is hidden in a cave there. The story will not go away. Nor, it seems, will the treasure seekers.

To the left, some 90 miles away, was the hazy outline of the Mexican border. The arid mountain basin in between is known as the Jornada del Muerto: "Journey Of The Dead." Other local attractions include Smokey Bear Park, the burial place of a bear cub which melted the nation's hearts when he was orphaned in a forest fire in 1950 and flown to Washington DC for treatment, and Valley of Fires State Park, the "newest lava flow" in the US, which resembles great black clods of earth turned over by an unseen rotivator.

Although Ski Apache is a friendly mountain, with the emphasis on "fun-skiing," it is certainly no lightweight: there is plenty of exciting skiing for all grades. There are 40 trails, plus open-bowl

skiing and a vertical drop of 1,800 feet. A green "easiest way down" trail runs from the top of the gondola, and several good blacks peel off from it. Among them are one or two whose names could easily put off skiers who might otherwise accomplish them: Screaming Eagle and The Terrible. Inevitably, other trails echo the Apache heritage, such as Geronimo, Mescalero and Ambush.

The nearest major airport El Paso is 130 miles away. There are one or two part-time Apache instructors, but because lift operators receive better pay, the few Indians who do become instructors usually end up running the lifts in order to pay for their cars, colour TVs, girlfriends and — bingo. Ruidoso itself, a surprisingly up-market and attractive little town, has been made prosperous by its famous race track which hosts the All American Derby. Street signs proclaim such tender thoughts as "Have You Hugged Your Skis Today?," and "It's Condom Week in Ruidoso — Be Wise, Condomise."

Even in the US, most people scratch their heads when you mention Ski Apache. Almost no-one seems to have heard of the place except the Texans. With a twinkle in his eye, Rick Vincent charmed, cajoled and teased my companion down her very first black run at the same time as warding off the attentions of some "attack tortoises" (speeding children).

The skiing was a lot better than at some European ski resorts I could mention on a bad day. Perhaps even on a good day.

■ *Arnold Wilson's trip was arranged by Ski the American Dream, 4 Station Chambers, High Street North, London E61JD. Tel: 01-471-0272.* Travel: *By air to Albuquerque, Las Cruces or El Paso and then drive.*

Property

The other side of the Curtain

John Brennan on the new frontier for property speculators

PRIVATE PROPERTY in land is an obstacle to the investment of capital on land. So wrote Lenin in one of the pre-revolutionary tracts that ended their days in the endless, shelf-bending volumes of his *Selected Works*. Lenin went on to summarise central ownership of property in a peoples' state as, "landlordism without the landlord."

This was a more pragmatic variant of Friedrich Engels' earlier blast in the *Outlines of a Critique of Political Economy* where he argued: "To buy and sell land is an immorality surpassed only by the immorality of selling oneself into slavery."

Engels and his jovial friend Karl Marx fused their thoughts on the subject within *The Communist Manifesto* with that classic piece of political clarity: "The theory of Communism may be summed up in one sentence: Abolish all private property."

Engels rarely makes it out of the library these days and municipal bronzes of Marx sell for US dollars from Magdeburg to Bucharest.

In the Soviet capital, under the gaze of the still-standing statues of Lenin, Taylor Woodrow International is on site in Kutuzovsky Prospeckt and on Gorky Street creating two of the largest Pizza Hut restaurants in the world. Times have changed.

Across Eastern Europe the private property markets are reopening to the West for the first time in half a century. West German speculators are already buying property in the East.

They are gambling on reunification overcoming the German Democratic Republic (GDR) ban on property transfers to people who have neither locally agreed residency permits or the hard-to-come-by transfer papers required to confirm a private sale under East German law.

West Berliners are reported to be paying cash premiums to move into rent-controlled flats in the Eastern sector of the city in place of tenants leaving the GDR. West Berliners pay a fraction of their current housing costs by adopting the exile's rent book, and commuting to work each day across the border.

Other Germans prepare for the reverse migration as they dust off title deeds to properties, not seen since Russian tanks rolled across the lawn in the closing months of the Second World War.

More isolated examples of cross-border buying from the West in other formerly closed eastern bloc countries spotlights the new scope to use hard currencies to acquire what, by Western standards, are extraordinary bargains in Europe's eastern capital cities.

Hotel groups are signing up sites in Eastern Europe to meet the demand for western standard accommodation for business visitors and an anticipated invasion of tourists. In a similar vein, the Hungarian authorities have been swift to welcome incomers with commercial designs on spare palaces and castles.

To give a flavour of comparable values with stately homes in the West, agents Moldram Edgley (01-629-9544) is offering a 99-year lease on Rackeve Castle and the freehold of Rackeve's 200 acres of parkland on the River Danube. The estate is a 45-minute drive from Budapest, the guide price is £500,000.

As for more prosaic properties, Edward McMillan-Scott, MEP for York, Euro-property expert and Conservative spokesman on tourism, believes that Eastern Europe could become a new frontier for holiday homeowners.

Pointing to the economic effects on Spain of 1.5m foreign property buyers in the past 30 years, enough in itself to account for 9m of the country's visitors each year, he argues that: "Europeans are now looking for new destinations."

He believes that holiday homes in development-free tourist areas of Eastern Europe would meet a host of tourist needs.

They would appeal because of their proximity to most of the main starting points for home buying tourists – Scandinavia, Germany and Benelux – who tend to prefer the flexibility of being able to travel by road.

Eastern properties and living expenses are cheaper than buying and maintaining properties in Spain or Portugal. And they have the special appeal of being different from the now often shoulder-to-shoulder crush of established tourist destinations. McMillan-Scott recently presented the case for an open property market extending across the continent at a meeting of local politicians in Poznan, Poland.

In researching the status of property regulations in the east, he has drawn upon the expertise of Dr G.P. van den Berg of Leiden University. Providing what may well be a last outing for his specialist knowledge of existing laws, van den Berg confirms that whatever Marx, Engels and Lenin may have had to say on the subject, rights of personal ownership of property are enshrined in the constitutions of Albania, East Germany, Hungary, Poland, Romania, Yugoslavia and within the Soviet Union.

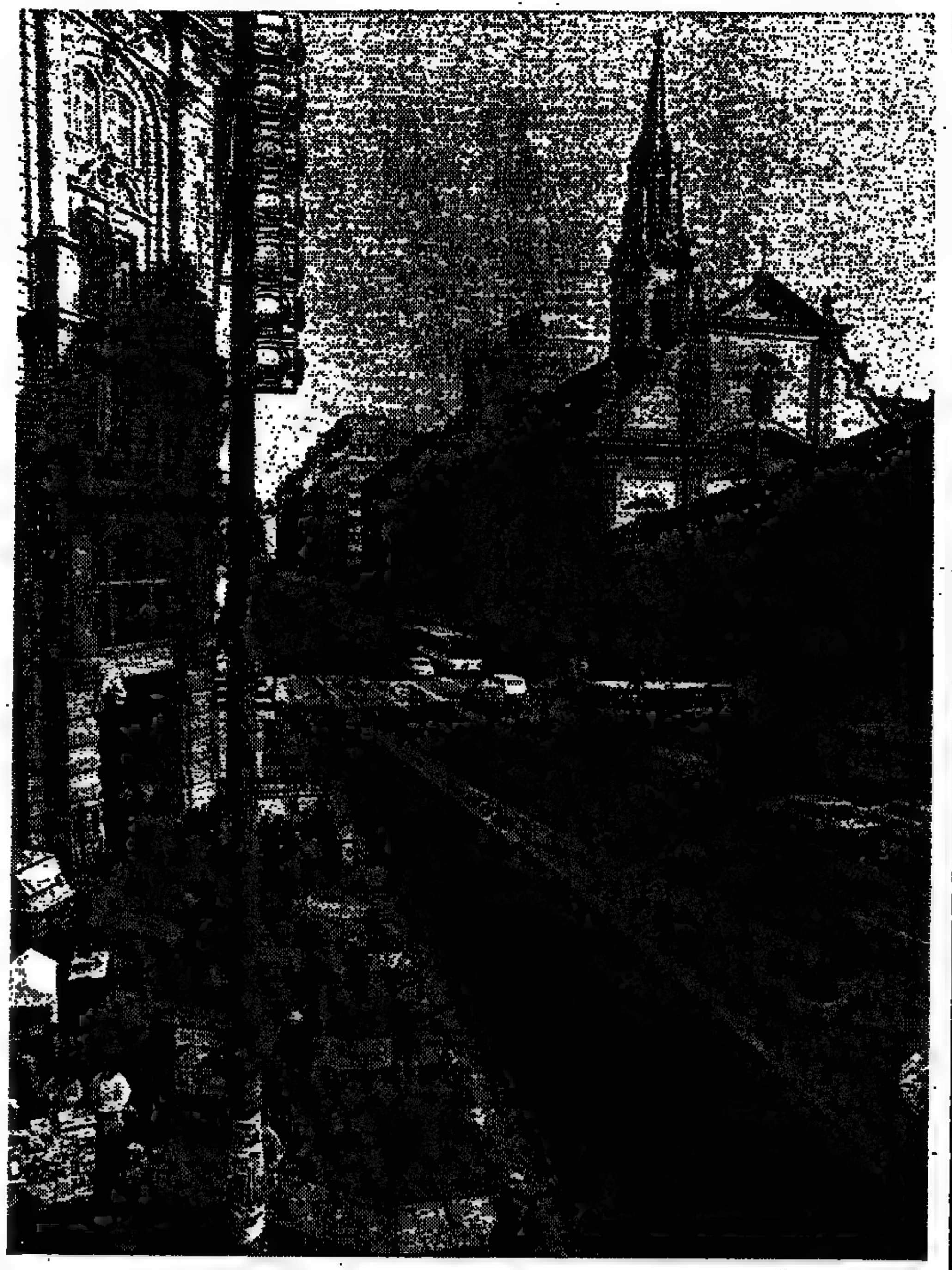
In practice, while homes in the countryside have tended to stay in the family, it is the state and locally-generated red tape that have squashed the urban populations into poor standard co-operative flats and authority housing.

As a Conservative MEP, McMillan-Scott could hardly have been expected to resist giving the Polish politicians a presentation on the UK Government's Right to Buy scheme.

And while the state-built flats in Poznan would seem improbable magnets for aspiring owner-occupiers, moves to free the housing markets of the east are quite evidently on their way.

Laws are currently being drafted in the USSR, restoring individual as opposed to general private property rights. Elsewhere, this year's free elections leave scope for far more radical change. Eastern European countries' need for hard currency earnings, and the holiday-property buying power of western tourists can hardly fail to be factors in shaping that change.

But it's a moot point whether the former Soviet satellites are ready for an invasion of estate agents.



Photograph: Alan Harper

Budapest: stately homes at bargain prices and a new frontier for holiday homeowners

Action against radon risks

RADON, THE radioactive gas given off during the decay of minerals in rocks such as limestone or granite, is found in minute degrees in the air anywhere and everywhere. You cannot smell it and you cannot see it, but prolonged exposure to radon in quantity – such as living in a house above an emission point – can increase your chances of contracting lung cancer, or so the National Radiological Protection Board believes.

The presence of limestone or granite rock does not mean radon is about in quantity. There also have to be geological faults causing the gas to percolate upwards and into a home or workplace. Radon levels can vary sharply between one home and another, even in high radon areas such as parts of Cornwall, Derbyshire, Northamptonshire and Somerset.

Radon, therefore, is both a health worry and beginning to crop up as a factor affecting property prices.

According to the NRPB, recent research indicates that the risk is much greater than thought. Three years ago the NRPB was advising Ministers to treat a radon measurement of 400 becquerels per cubic metre of air in homes as an "action level."

At this level householders were advised to take steps to reduce radon concentration. You can always move, of course, but NRPB's Gill Wilkinson, says this is rarely necessary. The board offers a free radon survey in high-radon areas, and the cost of radon-proofing could be on the right side of £1,000, and the blow can be softened by grants.

"We can send you a couple of measurement devices about half the size of the sort of air freshener you might hang in the toilet," says Wilkinson. "You hang one in the living room and one in a bedroom that is in use, and after three months you send them back for chemical measurement."

And if the reading comes out on the high side? "If you have a suspended floor house, one with air circulating underneath, then one of the air bricks can be replaced by a pump or fan which will expel the radon."

If there is no cavity under the house, she says, a "radon sump" can be built into the foundations in the form of a porous backfill such as shingle. The radon will then take the line of least resistance, and permeate the backfill and can be blown clear of the house.

Department of Environment building regulations have required new buildings to be protected since 1985. Automatic home improvement grants to cover the cost of reducing radon concentration were available through local authorities but they have been converted to discretionary renovation grants.

The NRPB was founded nearly 20 years ago and has been measuring radon levels in homes, mines and other workplaces ever since. It is now receiving 1,000 queries a month from people worried about exposure to radon.

Although the board's researchers are unable to point to any individual whose lung cancer can be ascribed to radon alone, the NRPB is now pushing for a new Action Level of 200 becquerels, just half the existing standard.

Says NRPB: "Recent research has shown that the risk of contracting lung cancer from the inhalation of radioactive decay products of radon is greater than earlier studies had indicated."

The board now wants to step up the measurement and protection of existing homes in high-radon areas as well as the radon-proofing of newly built properties.

If you're worried that the radon level may be over the Action Level where you live, you can write to the Radon Survey at NRPB, Chilton, Didcot, Oxon, OX11 0RQ. Didcot, by the way, sits on a nice thick wodge of London Clay, which makes admirable radon-proofing.

Ross Davies

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LONDON RENTALS

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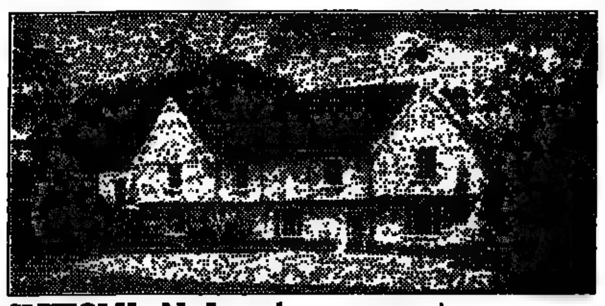

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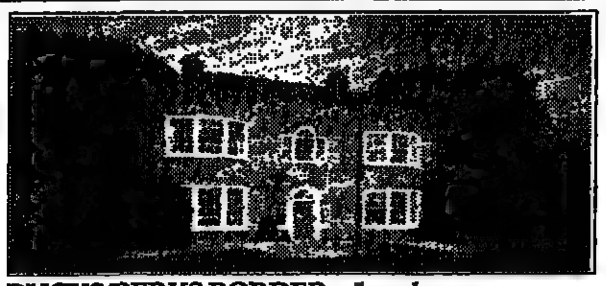

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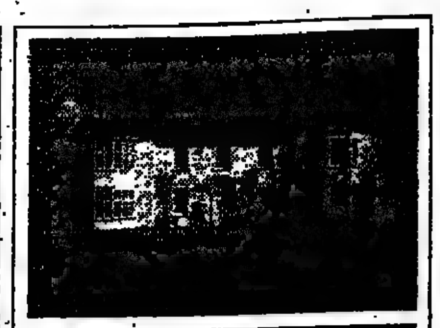

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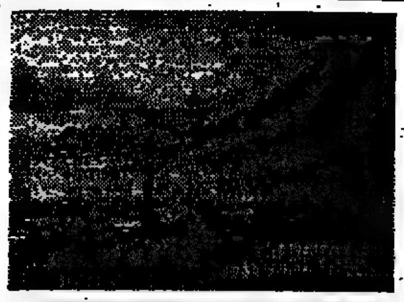

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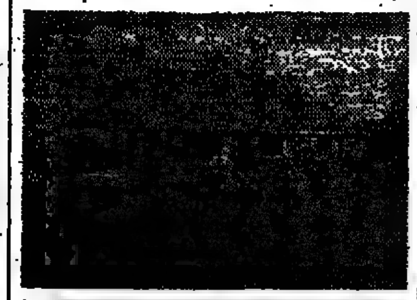

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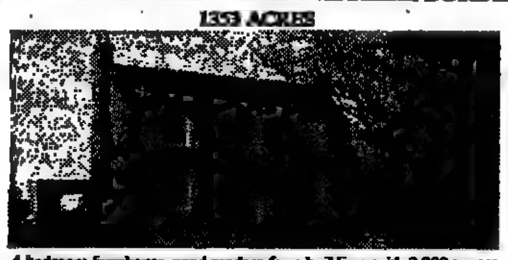

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INTERNATIONAL PROPERTY

Say cheese – but keep an eye on the customers

***Nicholas Lander** discusses the finer points of fromage with an expert*

HOW often do you eat cheese in a restaurant? Is it instead of dessert? Does the number of cheeses on display, and the care with which they are displayed, influence you? Or do you order cheese merely to finish off a good red wine?

Although both are served towards the end of the meal, different management skills are required to offer wonderful desserts and an excellent cheeseboard. Running a successful pastry section can be difficult; and although assembling an attractive cheeseboard sounds simpler, it does require taste, an ability to seek out good suppliers, and great care and attention. And it can all too easily be unprofitable.

A good cheeseboard should act as ambassador for any restaurant. We no longer want to see a display of the kitchen's raw ingredients and, sadly, London's narrow streets do not permit the shows of shellfish that make many of Paris's restaurants so attractive. But a good cheeseboard standing majestically in a corner – and it is always quality and the condition of the cheeses that count, rather than quantity – can easily convey the overall thoughtfulness of any chef.

In addition, it can unite the kitchen and the waiting staff. At the Boulestin in Covent Garden, chef Kevin Kennedy buys the cheeses but each day makes a different member of his waiting staff responsible for their care and appearance.

Although the price of cheese in many leading restaurants can vary from £4.50 to £8 a person, it is not an area that generates much profit. Restauranteurs learn to regret the perishable and fragile nature of cheese. Buy one slightly too soft and it is useless; expose the cheeseboard to too much heat, sunlight or moisture and the contents are ruined.

Allow an unskilled customer to help himself and he might take so much that he will eat any profit, or leave the cheese in such a state that tidying it turns profit into a definite loss.

The most unprofitable aspect of any cheeseboard can, however, come from neglect by the diner. Unlike France, the cheese course is not an integral part of the meal, and there is nothing more depressing for any chef than to see the cheeses he has chosen and displayed so carefully being eaten not by the customers but by the waiting staff at the end of the evening service.

A cheeseboard that is both appetising and only minimally wasteful requires not only an intelligent chef but also a reliable supplier – or cheese factor, as they are called.

While there are many who supply supermarkets and retail outlets, the past 20 years has seen the rise of a specialist group which supplies the better hotels and restaurants not only with cheeses but also with top-quality butter (and, when asked, tastings and lectures about cheese for their staff).

The Huge Cheese Company now sells £1.5m worth each year from its Sussex and London bases and is run by Michael Day. His skills in judging cheese, and his fanaticism for it, are acknowledged both in the UK (by his customers) and in France (by its top producers).

He is Britain's only Prevot of the Guilde des Fromagers and, for the past 12 years, has judged cheeses at the Concours General in Paris. He also believes that eating good cheese in good company can be one of life's greatest pleasures.

Day's fascination with cheese began while at Caen University in 1968 but was interrupted by an unhappy spell at a City financial firm early in the 1970s. He abandoned that in 1974 and, with a friend, began to transform the old-fashioned grocery firm of Harvey and Brockless into a cheese factor selling to restaurants from the back of a van with a warehouse in Sussex.

Day left in 1982, promising not to sell cheese in Greater London for five years. Although commercially a mistake, this did force him to concentrate on building a solid business outside the capital (including exporting British cheeses to France and Australia), and his Sussex operation now thrives; its clients include Glyndebourne, Grayshott Hall, Eastwell Manor and the Gatwick Hilton.

Day returned to London as soon as he could and bought a warehouse close to Tower Bridge which he uses as the base for all his French cheeses (the Sussex warehouse is repository for all his maturing English ones). His two vans supply restaurant customers twice a week. One day is set aside for deliveries to private dining rooms.

To maintain quality, Day relies on a close relationship with his suppliers. His favourite Cheddar supplier is Montgomery, Quickes and Keen, but he is also pleased with the growth in the quality of some of Britain's more innovative producers such as James Aldridge in Surrey, James and Cathy Lane in Sussex, and Humphrey Errington in Scotland.

For his French cheeses, Day deals with an old friend in Paris, Francois Roger, who assembles his weekly order. Every Monday at 5.30 am, top-quality cheese worth about £5,000-£7,000 (at cost) arrives at the London warehouse.

Mondays, however, start only half an hour earlier than the rest of the week. When I arrived at the warehouse at 6.30 am, Day and his staff were already slicing some of the larger cheeses, such as Parmesan or Cheddar, into 6lb pieces and wrapping them carefully. All the cheeses are kept in the warehouse refrigerator or the vans at between 38 and 42 degrees F.

The vans are loaded systematically; French cheeses on the right, English on the left. On the top go the cheeses of which Day is least proud – special slices for hamburgers and Minibels for hotel breakfast buffets – while the heavier items such as Parmesan, Cheddar and butter are placed on the bottom.

If he is to sell well, Day knows the cheeses must look good and the vans must be spotless. He enjoys talking to chefs and convincing them of his wares. He is happiest when he or his staff can bring out chefs to look in his vans, saddest when he is fobbed off by a food and beverage manager more interested in margins than quality. By 7 am, both vans are ready.

Ashley Ashwood

Cheese galore: Michael Day (left) with Simon York, his associate director

I was on the West End run which began by 7.30, calling at the Britannia Hotel and then the Portman. At the InterContinental, Day was booked by the chef to give a two-hour cheese lecture to his staff. Then we were off to the Ritz Club and the Ritz Hotel, the Hampshire and the Savoy. Then to Boulestin, L'Escargot and Crockfords, which had 'phoned Day at home at 1.45 am to order two cases of Mascapone!

You do not, however, have to be a top chef to benefit from Day's enthusiasm. His advice, if you want more pleasure from your cheeses, is to search out reliable suppliers, look and taste what you buy, and spend just a little bit more. He says the best cheeses to eat early in spring are one-year-old Montgomery Cheddar, Long Clawson Stilton (at its best now after the Christmas rush), unpasteurised Brie four to six weeks old, and Cashel Blue.

The best French-only cheeseboards he supplies are at Boulestin and the InterContinental, while the best not supplied by him is at Mon Plaisir. He believes the best English cheeses to be found in London are at Clarke's in Kensington Church Street or at Neals Yard; outside London, the most impressive cheese shops are the Cheese and Delicatessen Shop at Little Common near Bexhill, East Sussex (0424-5564), and Secret's Farmshop, Milford, Surrey (0483-426-655).

Even in cheese, the UK is a nation divided. Day says that in the provinces he can sell very good English cheeses but only basic French ones; in London, the demand is precisely the other way around.

Appetisers

■ CULTURE and good coffee are more commonly associated with Vienna than London, but the new Cafe de Colombia in the Museum of Mankind, Burlington Gardens, London W1 may change that. A joint venture between Justin de Blank and the National Federation of Coffee Growers of Columbia, it combines the baking skills of the former with the excellent coffee of the latter.

During the morning the light, airy room offers fresh croissants and pastries as well as the newspapers; at lunch fresh salads with rare roast beef (£5.70) gravad lax (£6), or a smoked salmon sandwich for £4.20; and good scones and jam at tea-time. Open Mon-Sat 10.15am-4.30pm, Sun 2.45-5.30pm.

■ AT THE recent London Food Exhibition in Wembley the overall quality of the produce on the Scottish stands was very high. Seaspice Supreme offers an extremely good smoked salmon and are prepared to send it, attractively packaged, almost anywhere in the world.

For FT readers they are quoting £8.95 for an 8 oz pack ready sliced, and £14.90 for a 16 oz pack, including postage and packing for UK delivery. For further details call 0592-630400, fax 0592-630401, or write to Seaspice Supreme, PO Box 4, Glenrothes, Fife KY6 2RH.

■ PERHAPS more surprising at the show was the quality of the Scottish cheeses. While Dunsrye blue and Lanark blue are becoming more popular, it was wonderful to taste Madoch, Gruth Dhu or Stichill and others from the Association of Hand Made cheeses of Scotland, whose secretary is David Rose, Nairnside Farm, Cawdor, Nairn, Moray IV12 5XS.

■ TWO NEW and much-needed guides to Australian wines have surfaced recently. Jane MacQuitty's *Pocket Guide to Australian and New Zealand Wines* is, at £5.95, a useful addition to Mitchell Beazley's series of cribs for connoisseurs.

Well worth the extra money, however, is the 1990 edition of James Halliday's *Australian Wine Guide* (£12.95, Angus & Robertson). This annual report from the headmaster of wine writing Down Under has detailed assessments of thousands of current Australian releases including hundreds of 1989s. For once this is a book that is bang up-to-date and genuinely critical. Many will regret that Halliday too has fallen prey to the 100-point scoring system but, true to form, his use of it is idiosyncratic.

■ Last week the first National Waiters' Conference should have taken place to debate such topics as waiting as a career, service charges and why wine service is as important as food service. Sadly, it had to be cancelled because of lack of interest – revealing a major difference between the front of house and the kitchen in many restaurants. While kitchen staff are paid on a weekly salary, most waiting staff are still on a shift rate. Those waiters who would have wanted to benefit from this conference would have lost at least one shift's wages to have done so.

■ THE eminently respectable-tasting but awful-looking dry white Zagaron from La Mancha (£2.49 until pre-Budget stocks are exhausted from Safeway) has been undergoing much-needed label surgery. Other crisp, fragrant and more interesting dry white wines are in the process of escaping from the clutches of Spain's new connoisseur class. Some of the most elegant come from Galicia, the green, wet north west, where Albarino (Albarinho in Portugal) is the most respected grape.

Laymont & Shaw of Truro has the powerful Lagar de Cervera 1989 at £6.25 (as part of a dozen) which is made by a sister company to one of the top Rioja bodegas, La Rioja Alta. Even more concentrated and perfumed is Morgadio Albarino 1989, of which only 1,200 cases were made. Some have found their way to the US via Spanish specialist Classical Wines of Seattle and its UK equivalent, Michael Hall Wines of Twickenham, is also trying to attract a consignment for The Hermitage wine shop of London N16 which will charge a well-deserved £9 to £10 a bottle.

Foreign fields: who really owns Bordeaux?

***Edmund Penning-Rowsell** on overseas influences*

THE FRENCH are rightly proud of their fine wines that have an international reputation. And as wine is news in France, when the sale of a prominent property is reported the likely effect on its quality and reputation may be widely queried. When in 1962 the sale of Ch. Latour by the Beaumont family to Pearson was referred to President de Gaulle, with the idea that it might be forbidden, he commented that the buyers could not remove the soil and allowed the deal to go ahead.

It is very doubtful, however, that any French Government today would allow the sale of a first-growth claret to a foreign concern. In 1976, it would not permit the Ginestets, hard-pressed financially in the mid-70s slump, to dispose of Ch. Margaux to US National Distillers, and they had to accept a lower offer from the grocery concern Félix Potin, headed by the Greek, André Mentzelopoulos. Last year, when it was thought that the Domaine de La Romanée-Conti was likely to pass into Japanese hands, there was uproar until it turned out that Japanese financial assistance was sought only to acquire another burgundy house for Mme Bize-Leroy, part-owner of the Domaine.

Concern expressed about foreign takeovers is not just a matter of chauvinism or xenophobia, for once a French company is foreign-owned the Government loses control over its future ownership unless it reverts to domestic control. When last year Pearson sold Latour to Allied Lyons, which through its subsidiary, Harveys of Bristol, had held 24 per cent of the shares since the Pearson purchase, there was considerable relief in Bordeaux that at any rate it was a British drinks group rather than an American or Japanese conglomerate.

However, many in Bordeaux were surprised when in 1983 the Japanese firm of Suntory was allowed to acquire Ch. Lagrange, a third-growth St. Julien estate, although in 1972 they had been refused permission to buy the far less important Premières Côtes Ch. Caillevert. Maybe there was some diplomatic horse-trading behind the scenes over Lagrange, and anyhow it was in very poor shape. Now, as a result of enormous expenditure, it is a much superior wine, made by a French director.

Among the more important foreign-owned estates are Lascombes, Léoville-Barton, Le Prieuré-Lichine and Rauzan-Ségla in the Médoc and Haut-Brion, La Mission-Haut-Brion and Smith-Haut-Lafitte in the Graves. Nevertheless, Bordeaux above all other areas has seen enormous changes of ownership. The most obvious demonstration of this is that of the 61 estates included in the celebrated 1855 classification; today only two remain in the same ownership: Léoville-Barton and Mouton-Rothschild, and the latter marginally so, as Baron Ferdinand bought Mouton in 1853.

Within the last 25 years the most sensational changes have been on the merchant side. When in the mid-60s I first took a semi-professional, journalistic interest in the Bordeaux trade, it was dominated by family-run merchants, most of whom had been in the business for a very long time. Barton & Guestier (1725) was headed by Ronald Barton; Cruse (1819) by Emmanuel and Christian Cruse; Eschenauer (1821) was still in family hands; Calvet (1870) by Jean Calvet; and de Luze (1820) by the de Luze family. Other houses such as Cordier, Ginestet, Nathaniel Johnston, Kressman and Schröder & Schÿler were all family-owned. Together the *aristocratie du bouchon* not only dominated the trade; they dominated the châteaux.

Today, with the exception of Nathaniel Johnston and Schröder & Schÿler, not one of these *négociants* remains independent. Of the big names Barton & Guestier is owned by Seagram of Canada; Cruse by the mass-production *vin de table* firm of Castel; Calvet by Whitbread; Eschenauer until recently by Lonrho and now – though perhaps for not too long – by Brent Walker; and de Luze, after a spell with Bowater, by Remy Martin.

These extraordinary changes were largely the result of the mid-70s energy crisis, when much of Bordeaux would have gone bankrupt had it not been for outside, and sometimes foreign, finance. One element in all this was that the whiphand had passed from the merchants to the leading châteaux, now able to assert their prices and enforce their sales as never before. The after-effect of the slump and the general rise in interest rates has been to inhibit the merchants from their traditional role of holding stock. Hence the "opening offers" market, very much associated with Bordeaux.

The Comité Interprofessional du Vin de Bordeaux keeps a record of vineyard property sales and a recent count shows that between 1977 and the end of last year 67 were listed; to which I can add at least three more. Of these 14 were classed growths either of the Médoc, the Graves or Sauternes. Of the total 16 were bought by foreigners: five by Japanese, four by Danes, three by UK firms and two each by Swiss and US. So far, therefore, the often-reported American interest in Bordeaux properties is very limited. Just now it is well known that Bass wishes to sell Lascombes, with Japanese buyers said to be in the market.

What is being more closely watched in Bordeaux is the recent interest in important estates by leading French assurance companies, particularly those associated with civil servants and teachers. On the C.I.V.B. list 16 have been acquired by these companies, including Beychevelle, Cantemerle, Cantenac-Brown, Larose-Trintaudon and Pichon Baron. Moreover, last year a holding company, Grands Millesimes de France, was set up by the civil servants' assurance, Garantie Mutuell des Fonctionnaires (GMF), with a 40 per cent holding by Suntory. The estates include Beychevelle, Beaumont and Ch. Bligny in Beaune.

If the "foreign threat" to Bordeaux has hitherto been exaggerated, the Bordelais, like the Champenois, are deeply concerned if control of a local company passes outside their region, with the possibility that its affairs may not be run in the interests of the regional trade, or at least that this may not be the first priority.

However, there have been welcome buyers, among them Xavier Gardinier, late of Lanson and Pommery champagnes, who bought Phélan-Ségur, the Merlaut family, which took over Chasse-Spleen and Haut-Bages-Libéral, the Bernard distilling firm of Bordeaux which acquired Domaine de Chevalier and Prince Guy de Polignac, of the family which owned Pommery, who now runs Liversan.

That changes of ownership will continue is certain. Under the French law of inheritance, part of the Code Napoléon, estates have to be divided equally between the inheritors; and in Bordeaux there are many with little or no interest in viticulture. I was told recently that within the coming 20 years at least three quarters of Bordeaux wine properties will have changed hands. If this pessimistic forecast proves correct, it must not be at the expense of the rising quality of the wines of the world's biggest fine-wine region.

Edmund Penning-Rowsell

The chateau and vineyards of Chateau Latour: sold by Pearson to Allied Lyons

Cookery

Tussles with mussels

MUSSELS have always been one of my favourite (and inexpensive) seafoods but only recently have I come seriously to consider sharing them with a party of friends. I used to reserve them for occasions when there were just two of us for dinner because I couldn't face preparing them for large numbers. It was a real labour of love to rinse and scrape and scrub and tug at beards, barnacles, seaweed and sand.

The farmed mussels we can buy today are much cleaner. Grown on ropes or rafts in Scottish sea lochs, or in England where they have to pass through purification tanks before sale, they come with so little debris in tow that you get more meat for your money.

Although mussel culture is beginning to catch-on in the UK, Britons still tend to think of them as synonymous with *moules a la mariniere* and mussels stuffed and baked with garlic butter. Both are delicious, I agree, but why not wave the British flag?

MUSSEL BROSE
(serves four)

Perhaps the fashion for oats will encourage Sassenachs to try this traditional Scottish soup, a delicate and creamy concoction that deserves wider acclaim.

Ingredients: 2 lb mussels; quarter-pint each milk and cream scalded together with a bay leaf; 3 tablespoons medium oatmeal, toasted lightly in a dry frying pan; 1 tablespoon each white wine vinegar, chopped parsley and chives.

Method: Clean the mussels, throwing away any that do not close when tapped sharply. Measure one pint water into a large pan, stir-in the vinegar and bring to the boil. Add the mussels, cover tightly and cook over high heat for three-four minutes, shaking the pan just occasionally.

Discard any mussels that have not opened. Shell the rest, put them into a warmed soup tureen and cover them to prevent drying out.

Strain the cooking liquor through a double-thickness of damp butter muslin to get rid of any grit, then blend the liquor carefully into the scalded milk and cream. Remove the bay leaf and reheat gently.

Stir a ladleful of the fragrant liquid into the lightly toasted oatmeal, then stir the oatmeal-mixture back into the soup pan. Bring to the boil (stirring all the while) and season to taste. Pour the soup quickly over the mussels and stir-in the herbs. Cover the tureen and leave to stand for three-four minutes before serving in hot soup plates.

MUSSEL & MONKFISH STEW
(serves four)

This is plain cooking full of good flavours when the fish and vegetables are beautifully fresh. The idea sprang from reading about Water Souchy, a dish introduced to Britain from Holland in the time of William and Mary.

Ingredients: $1\frac{1}{2}$ lb skinned and filleted monkfish; 2 lb mussels; 1-$1\frac{1}{2}$ lb potatoes; 3-4 leeks; glass of white wine (optional); a little butter and flour; a bunch of coriander; 2-3 slices of lemon.

Method: Cut the potatoes into chunks and slice the leeks into half-inch lengths. Trim the monkfish (removing the membrane if this has not been done by the fishmonger), pat it dry and cut it into chunks.

Clean the mussels and throw away any that do not snap shut when tapped sharply. Steam them open in a pan containing four tablespoons of boiling water. Discard any that do not open, shell the rest and cover to stop them drying out. Strain the mussel liquor through a double thickness of damp butter muslin to get rid of any grit. Everything up to this stage can be done ahead.

Shortly before you are ready to eat, choose a stew pot or flame-proof casserole that can be brought to table and melt an ounce or more of butter in it. Dust the monkfish very lightly with well-seasoned flour and fry a few pieces at a time until coloured lightly. Remove and reserve.

Add the potatoes to the pot, cover, and leave to sweat gently for a few minutes. Pour on the mussel liquor (and the wine if you like) and bring quickly to the boil. Cover and simmer for eight-10 minutes until half-cooked.

Add the leeks, bring back quickly to a fast simmer and cook for four-five minutes more. Then add the monkfish and simmer gently for a further four-five minutes until fish and vegetables are cooked.

Stir-in the mussels quickly with a good seasoning of pepper, a little salt, the chopped coriander and the lemon slices. Cover and let the stew stand for five minutes before serving with hot, crusty bread.

Philippa Davenport

Lucia van der Post finds much to admire in the stylish furniture created by a religious sect which saw God everywhere — even in a basket

Soulful simplicity: Shaker style adapted for modern living

WHEN Tim Lamb and Liz Shirley opened the first shop in Britain devoted entirely to Shaker-inspired furniture and accessories last September not even they, ardent fans though they were, guessed that it would be quite so popular.

"We get students coming in here for a simple box, a beeswax candle or a clothes hanger and then we've had a few customers who have come in and bought a complete roomful of furniture."

So successful were the initial pieces they brought over that they are launching a new, expanded catalogue in the first week of April which will be of great interest to all who love the simple beauty of Shaker-style pieces.

The Shakers were a deeply religious sect — a break-away group from the Quaker movement — who flourished mainly in New England, New York and Kentucky in the 18th and 19th centuries. They were called the Shakers because of the way they shook and trembled in ecstasy when worshipping. They didn't set out to become designers at all but simply embarked on making everything they needed for their daily lives as well and as finely as they knew how. They believed that God was everywhere, so the back of a chair had to be as beautiful as the front, the inside of a box as fine as the outside.

What is remarkable about the pieces is their great, almost universally acknowledged beauty. It is often assumed that the explanation lies in the fact that they are beautiful because they were made with function almost purely in mind. But as June Sprigg, in an introduction to the Shaker Design Catalogue from the Whitney Museum Exhibition in 1986 points out, they may be unadorned, functional and well made "but these qualities by themselves do not account for the excellence of design.

"Examine a basket. Mere utility did not shape the swell of the side or the curve of the handle above. What really distinguishes Shaker design is something that transcends utility, simplicity, and perfection — a subtle beauty that relies almost wholly on proportion. There is harmony in the parts of a Shaker object."

Today there are very few Shakers left (celibacy was part of their creed) but the pieces sold by Tim Lamb and Liz Shirley are all made by craftsmen totally dedicated to the Shaker ethic, working in the Shaker Workshops in Massachusetts. Tim Lamb and Liz Shirley have been given the sole distribution rights for their furniture in Britain.

To the original collection of artefacts, the familiar oval boxes, the exquisitely simple peg-rail, the slat-back chairs and rocking chairs, the drop-leaf and trestle tables, has been added a hugely expanded collection. There is, for example, what Liz Shirley calls "case" furniture — cabinet furniture made from 100 per cent solid American cherry that can be bought singly or put together to form banks of cupboards. They can be bought either plain (finished in a light or medium stain with the insides stained, in one of the Shaker colours) or coloured. Prices start at £895 for a 32½ in high cupboard and go on up to £2,495 for a cupboard and set of drawers 77½ in high and 35½ in wide.

Those who have despaired of finding a kitchen that pleases might like to know that there is a range of kitchen cabinets in two different styles which come plain or painted in one of the oil-based lead-free paints in the Shaker colours.

The textiles are, like everything else, exquisite in their simplicity and the sheets are all plain white, hem-stitched, made from a 60 per cent cotton/40 per cent linen union mixture. Prices start at £59.95 for a single flat sheet. The blankets are 100 per cent pure wool in graphic checks in red and white (as were the sisters blankets) and blue and white (like the brethren's blankets). There are three sizes and prices range from £75 to £90.

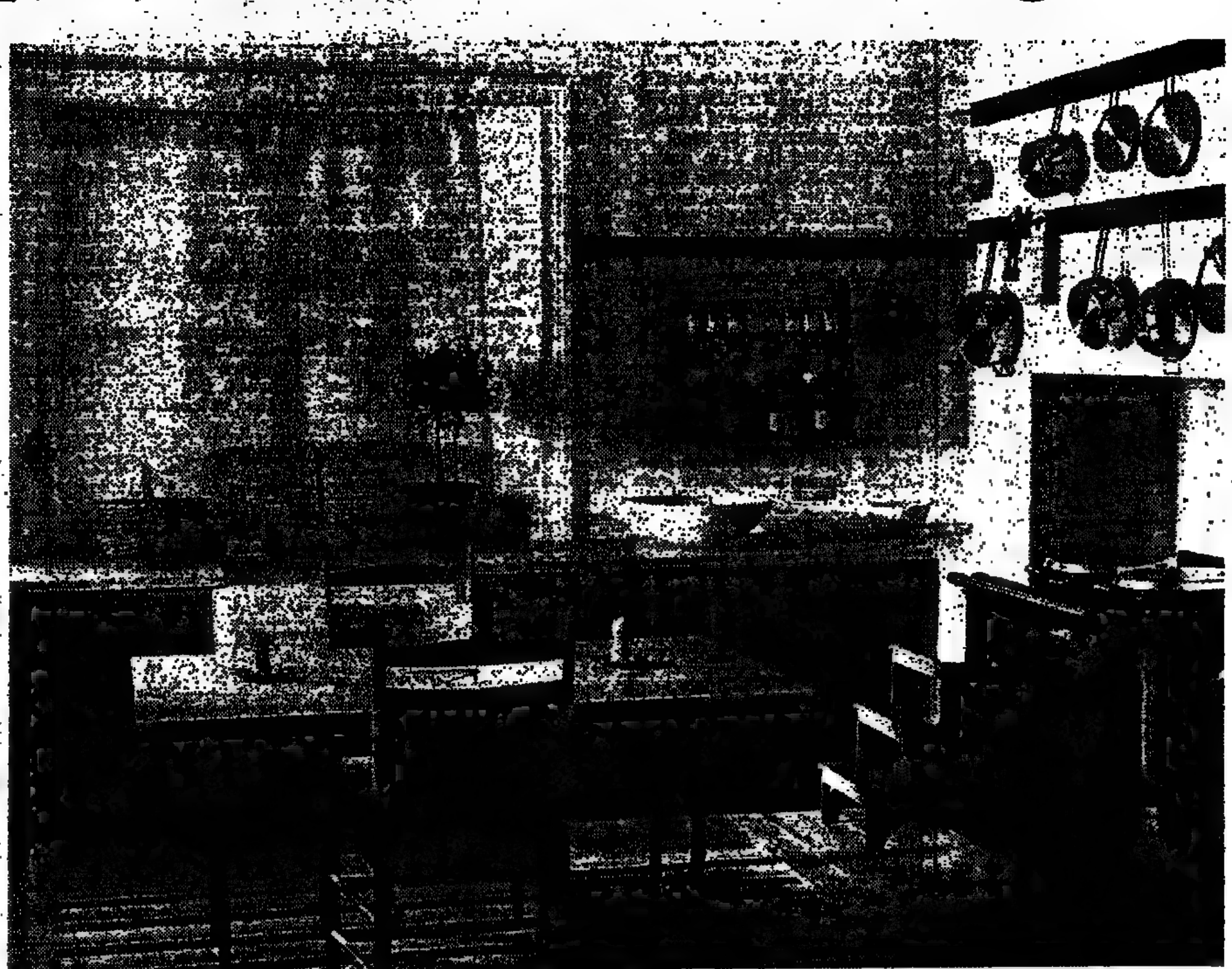
If you are going to the shop, look out too for the baskets. You may be knocked back by the prices — a tiny 6½ in long basket, for instance, sells for £59 — but in America, where these are made, they understand that basketmaking is an art-form and expect to pay for them.

The ash-splint used for the basket is just $\frac{1}{16}$ of an inch and it is made on a mould — in exactly the same way as the Shakers made them — by a woman who also teaches at one of the Kentucky museums.

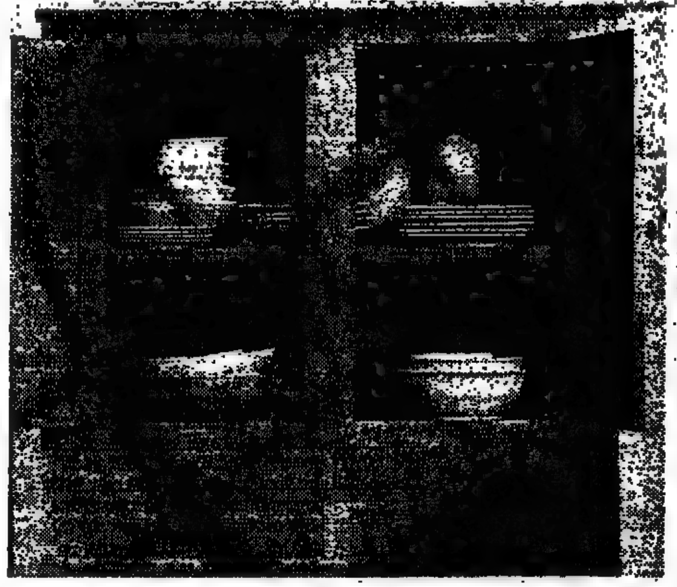
There is also a collection of tin-ware, used to hold the beeswax candles, made by an expert who teaches at the Kentucky museum.

Though some of the pieces, like the solid wood case furniture, do have a high price tag there are plenty of smaller things for the less well-heeled to buy. You could, for instance, just go for a single pot of paint at £12 a pint — they come in eight colours including dark green, blue, antique yellow, two lovely reds — or a simple piece of peg rail to put in your hall, or just an occasional table. But whatever you do buy I am sure of one thing — that 20 years on you will like it at least as much as you did the day you bought it.

■ The Shaker Shop is at 27 Harcourt Street, London W1H 1DT (01-724-5986) and the new catalogue will be available from the first week in April at £3 a copy.



Shaker-style kitchen comes with oiled maple worktops and cabinets painted in one of the eight traditional Shaker colours



A plain cherrywood cupboard, the inside painted, filled with beeswax candles and some simple kitchen equipment

A collection of finely-made baskets of all sizes and shapes used to store needlework

POSTSCRIPT

THE PERFECT photograph album isn't easy to find but it would be hard to find prettier ones than the ones at Tessa Fantoni, 24 Abbeville Road, London SW4. Not only are the cover papers enchanting — taken from original Curwen Press designs — but the albums are designed so that refill pages and extensions can be added. There are several sizes, some using black paper, some cream, and prices start at £15 and go up to £25.

■ ■ ■

If you're having trouble tracking down just the right wallpaper you might think of consulting Baer & Ingram of 152 Walton Street, London SW3. Sisters Susanna Baer and Caroline Ingram have hundreds of wallpaper samples ranging from designs dating from 1550 to the currently fashionable. There are 18th century papers and traditional stripes, plain dragged papers and blue and white chinoiserie scenes. But apart from the huge range Baer & Ingram offers a real service with its mail order matching scheme. Send them a paint colour, a swatch of fabric or paper and they will send you a selection of free cuttings which will work with it, thus making their huge library of papers accessible to one and all.

■ ■ ■

Guerlain is one of the grandest, most sublime of beauty houses and none of the more modish upstarts in the fragrance world, in my view, can hold a candle to classics like Shalimar, Jicky and Mistouko. Those who, like me, are devoted Guerlain fans might like to know that Guerlain has recently brought "Mouchoir de Monsieur," normally only available in France, to Harrods in London.

"Mouchoir de Monsieur" was first devised . . . whoops, sorry, "created" . . . by Jacques Guerlain way back in 1904 when all the world was young, when Henri Desgrances put on the first Tour de France bicycle race, when the magnificent men in their "flying machines" were taking to the air and when the cutaway coat was just beginning to overtake the frock coat. Those who like their men to smell elegantly and discreetly of sophistication and old-style panache should take this chance to smell "Mouchoir de Monsieur" for themselves . . . and if they like it . . . buy it, even if it does cost £85 for 200 mls a time.

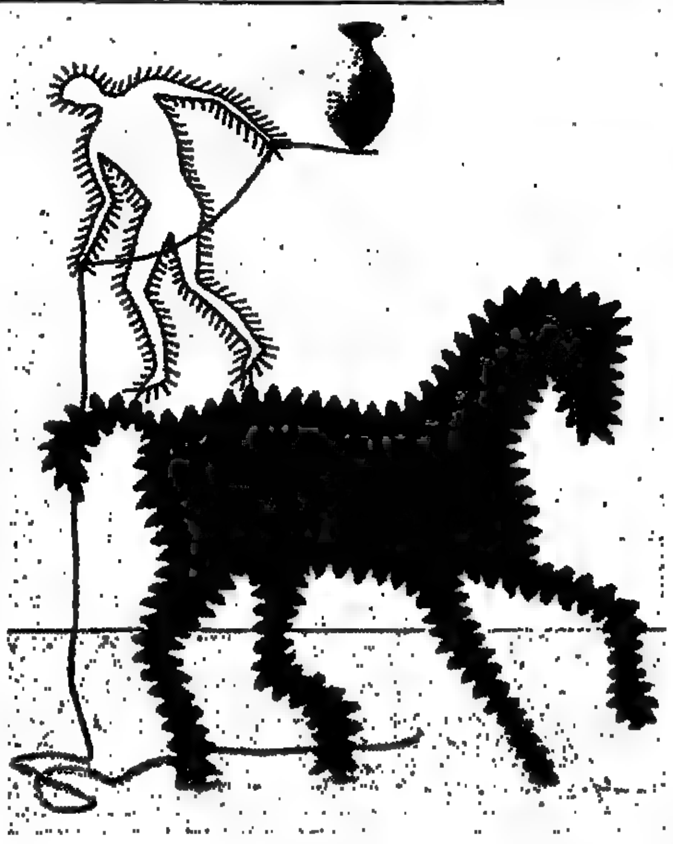
Art sales without tears

THE ANNUAL art market at Smith's Gallery in London's Covent Garden, supported by Sainsbury's, proved that there is a huge appetite for works of art if only the selling of it could be separated from the stuffiness and formality of the hushed and hallowed gallery.

Another opportunity to buy works of art in an informal and easy way is the International Contemporary Art Fair at London's Olympia. Now in its fifth year, it is larger than the Sainsbury's show and takes in a wider span of articles and prices.

Works from 120 galleries drawn from 16 different countries and at prices from £50 to £250,000 will be for sale, and names will range from the new and unknown to such establishment folk heroes as Hockney, Warhol, Elisabeth Frink and Carel Weight.

Don't be put off by the £250,000 top price tag — there will be a whole corner devoted to works costing less than £1,000 and on Sunday April 1 at 2.30 pm Edward Lucie Smith will give a talk on how to start a collection. The fair is open from March 29 — April 1, 11 am to 8 pm daily, entrance £4.50. In addition there will be a preview between 6 pm and 9 pm on Wednesday March 28 when, for an admission price of £10, viewers can choose from the pick of the bunch. Photographed above is an untitled work by Zadock Ben-David.

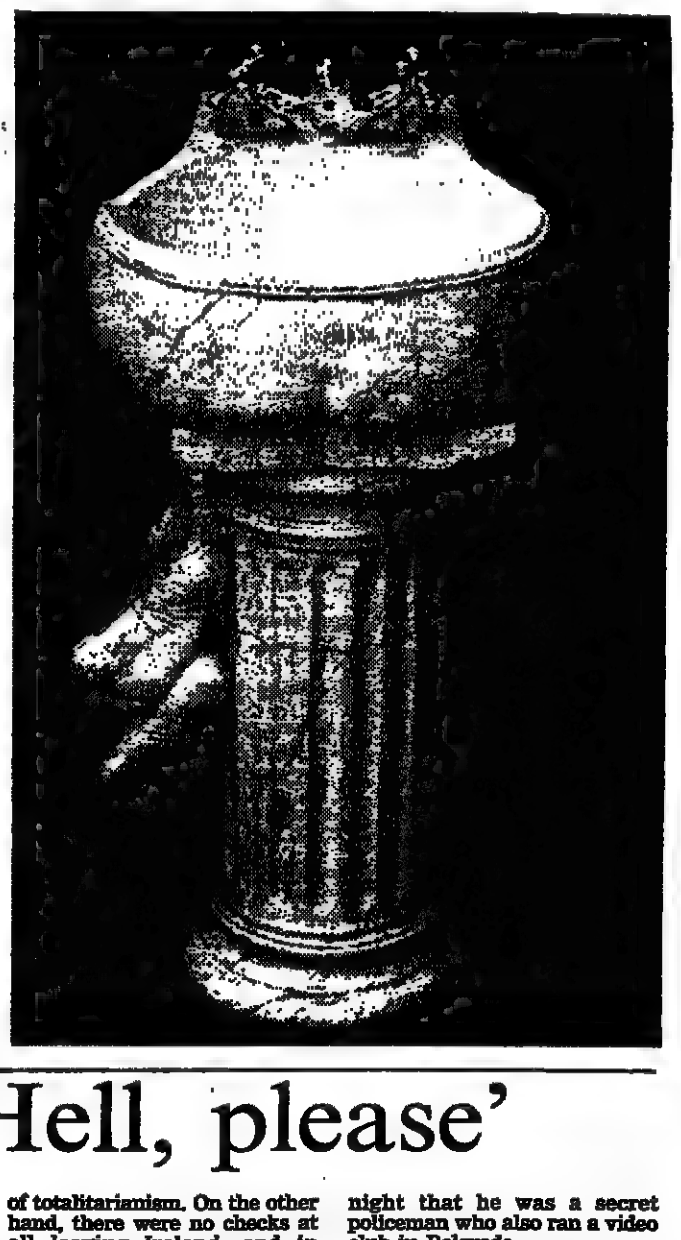


Best buys for better basins

MAX PIKE'S bathroom shop at 4 Eccleston Street, London SW1 currently has a selling exhibition of some wonderfully dotty and inventive bathroom-related sculptures by Ian and Lyn Wright. Max Pike is well-known as a purveyor of sophisticated bathrooms to the gold card set and this exhibition is intended to be a celebration of bathroom fun. And fun it is, as you can see from the Folly Basin, right.

There is much play on classic motifs, with Corinthian columns, classical statuary and other hallowed architectural formulae being given the irreverent treatment. There are washbasins on stockinged legs and peeping Tom mirrors, broken columns and ironic shelves, directory toilet roll holders and a set of flying knickers.

Prices are less jokey — the bottom basin will set you back £1380 — but if you like the style you could buy a wonderfully witty ironic column shelf for £173, a soap dish for £81 or a high heel jug for £80. Some pieces are one-offs, others are limited editions, and although this exhibition is officially only on for another week, Max Pike always has a selection of the Wrights' work on show and pieces can be ordered.



'One round-trip ticket to Hell, please'

From Page I

I travelled on were smart, comfortable, clean and on time in most of Western Europe, and filthy, decrepit and probably unsafe in most of Eastern Europe and the Balkans. British Rail had more in common with East than West, especially its larger stations.

While it is possible to eat reasonably well and find a clean toilet on BR, it is difficult to eat badly or find any evidence of vandalism in Germany, Italy and France. On the other hand, it is often impossible to eat at all in Eastern Europe, Yugoslavia and Greece, and the traveller who values his health saves other bodily functions for his hotel.

The other essential is finding the right train, and BR scored reasonably well here in comparison with the East. But again France, Germany and Italy — not to mention the smaller countries of western Europe — are all ahead of the UK in the provision of information. Italian Railways deserves a special mention for the best food, best sleeping compartments and best service, if not the best timekeeping.

One of the biggest differences between travelling by air and by train is the difficulty in crossing borders. Air passengers face customs and immigration only twice during their journey — train passengers must go through the ordeal every time they cross a frontier. This is not too bad within the EC as only the UK seems to insist on full checks, and there are no formalities at all in the Benelux countries or between the Netherlands and West Germany. But there was a delay of nearly two hours on each side of Czechoslovakia, and again on the two Yugoslavian borders I crossed — the changes sweeping through eastern Europe seem to have made little difference to those countries' borders, some of which are still scarred by fences, watchtowers, armed guards and the paraphernalia of totalitarianism. On the other hand, there were no checks at all leaving Ireland, and in southern Greece and Italy I accidentally avoided both Immigration and Customs.

Still, in the end one chooses this way for the scenery and the people, and no traveller will quickly forget the Rhine Valley, the northern Greek mountains, the Gulf of Corinth and the Italian Mediterranean. And you certainly meet some funny people on trains.

In Hungary a Bulgarian intellectual — dressed in rags — told me I would live longer if I rubbed orange peel into my skin, which he proceeded to do for several hours. Near Marseilles, a Frenchman man claiming to be a physiotherapist offered to serenade me with Irish rebel songs while accompanying himself on the zither. In Italy, the Italian television director Sergio Sinibaldi explained his plans to raise enough money to stage an opera based on the life of Martin Luther. And somewhere in Yugoslavia, a man called Ilic Zoran confided in the dead of night that he was a secret policeman who also ran a video club in Belgrade.

Maybe it was true. Or maybe his secret service identity card was really a driving licence. Next time I'm in Belgrade I will drop in at Oskar's video club in Safarikova Street and find out. But I think I'll fly.

HOW IT SHOULD HAVE WORKED Round Europe rail trip (all times as scheduled)

MONDAY			
D Galway	11.35	A Dublin Heuston	14.20
Bus to Dublin Connolly			
D Connolly	19.55	A Dun Laoghaire	20.10
D Dun Laoghaire by ship	20.45		
TUESDAY			
		A Holyhead	00.15
D Holyhead	01.15	A Euston	05.58
Underground to Victoria			
D Victoria	08.35	A Dover Western Docks	08.09
D Dover by Jetfoil	09.35	A Ostend	12.15
D Ostend	12.48	A Roosendaal	14.49
D Roosendaal	14.55	A Tilburg	15.30
D Tilburg	17.01	A Cologne	19.23
WEDNESDAY			
D Cologne	08.04	A Stuttgart	11.52
D Stuttgart	12.44	A Zurich	15.47
D Zurich	18.39	A Munich	23.04
THURSDAY			
D Munich	08.32	A Nuremberg	10.11
D Nuremberg	10.55	A Prague	17.50
FRIDAY			
D Prague	00.45	A Vienna Franz Josefs	06.05
Taxi to Vienna Westbahnhof			
D Westbahnhof	00.50	A Budapest	12.29
D Budapest	15.45	A Belgrade	22.09
SATURDAY			
D Belgrade	13.30		
SUNDAY			
		A Athens Larissa	13.30
D Athens Peloponneseus	15.47	A Patras	20.24
D Patras by ship	22.00		
MONDAY			
		A Brindisi	17.00
D Brindisi	22.28		
TUESDAY			
		A Rome	08.10
D Rome	12.30		
WEDNESDAY			
		A Nimes	[illegible]
D Nimes	03.05	A Lyon Perrache	06.10
D Lyon	07.49	A Paris Gare de Lyon	10.10
THURSDAY			
D Paris Gare du Nord	08.02	A Boulogne Maritime	10.26
D Boulogne	10.26 by ship	A Folkestone	12.20

An arboretum to admire

*Drop everything and head for Hampshire, says **Robin Lane Fox***

THERE ARE times when instinct takes over. Perhaps it was the weather; perhaps it was displaced spring fever from the animal world of water rats and moles. Last weekend, it was no use trying to garden. Something inside said, simply, "Hilliers." Many of you know that feeling – it wells up when you look at the price tags on a Hilliers shrub. How can a clematis cost £7.50 or a daphne collina £16? Hilliers, however, is a great Hampshire nursery with home-grown stock that underpins large areas of our landscaping and garden centre trade.

You and I, the impulse buyers in its plant shops, are the cream of a carefully-baked cake. Its name also stands on a great arboretum, enough to make a gardener in alkaline Oxfordshire take to the road in a heat wave of an extraordinary spring. Off the A31 at Ampfield, near Romsey, it is within range of an easy dawn raid.

Perhaps you, too, have been pining recently for the West Country and even at times for Surrey. Here is the weather of a lifetime; yet there is no hope of growing good azaleas and the rarest magnolias on my Oxfordshire soil. I have even been reduced, while visiting London, to viewing the six big camellias on the Orangery in Holland Park. Like the last elephants in Kenya, they are thronged with admirers, marvelling at a sight which more favoured bits of Britain would consider to be commonplace. An hour or so in Hampshire, and you see them in perspective.

In 1977, Sir Harold Hillier bequeathed his large private arboretum at Jermyns Lane, Ampfield, to Hampshire County Council and a committee of experts. Time has slipped on; yet, so far as I can see, neither the gales nor public ownership has damaged this challenging legacy seriously.

While Sir Harold was making his arboretum, he was one of the world's greatest experts on trees and shrubs. The planting has now grown hugely from twigs which once looked like mine (without price tags).

If the weather is still warm and mad when you read this, drop everything and go because I doubt if we will ever see the arboretum in quite such form again. There are acres of mature magnolias and camellias, flowering without wind or frost damage, among a scattering of white blossom before the rhododendrons start to riot and dominate the scene. The pink and white camellias are covered in perfect flowers; the Williamsii varieties are magnificent. One, called Glenns Orbit, has a size and abundance that would send you, too, to the moon while Lady de Saumerez has gone completely over the top in a blaze of brilliant red.

I could spend a happy week on the acid yellow flowers of the tree-sized corylopsis or the amazing tassels of young leaf and flower dangling on a box elder tree, Acer negundo violaceum. They are fine sights, but they are not the finest.

If you enter the arboretum by the plant centre, be sure to walk back for some way along the boundary fence of Jermyns Lane. You will enjoy a foretaste of white magnolias, and ought to end by approaching the white-painted facade of old Jermyns House from the top end of its broad grass walk.

On either side, the plants grow in beds with a thick depth of gravel; weeding seems to be easy, perhaps because it is done regularly, and the drainage plainly suits the magnolias. Thousands of white, purple-flushed and ruby flowers are open on the old trees. As yet, there is not a leaf in sight to distract us.

It is pure bud and flower, and most of the varieties are named forms which few of us would recognise in a list. Of the pure whites, magnolia Lennei alba is the clear winner because the buds are longer and the white is both waxier and creamier than the thin-petalled forms with stellata blood. Among the varieties with red flushes I ended by choosing Rustica rubra, the flowers of which are rounded beautifully, and the old favourite, Picture, with its elongated flowers.

All these forms can still be bought by discriminating shoppers; and if I had room for only one, it would always be a pure white. In the sunshine, however, the trees had a second dimension which might, perhaps, be peculiar to this warm year. Up and down Sir Harold's walk, these old magnolias were breathing an exquisite scent. Books refer to it but it is never conspicuous in English springtimes: it needs warmth and clear air to release it, the qualities of 1990's miraculous March.

Magnolia Purple Eye has the heavy, lemon scent which is associated usually with the evergreen magnolias of an early Italian summer. It hits you above the spring narcissi while a rare cross with stellata blood, Magnolia proctoriana, gives off the scent of pure orange blossom from its six thin petals of white flower. If this is heaven, I promise to try to be good.

Forget the design and look only at the individual trees. Then, the general effect of flowers on bare branches seems like an Oriental forest in the wild. Finally, catch the scent and reckon it bliss to be alive.

Fertilisers: the liquid solution?

THE PROS and cons of liquid feeding clearly are going to be a talking point among gardeners this year, not because any new discoveries have been made but because ICI has decided to concentrate much of its garden product publicity on this subject.

The company claims to have identified the use of fertilisers as a potential growth area in the home garden market, provided they can be made sufficiently easy and reliable to apply. It thinks that applying fertilisers in solution is the answer, and it looks as if other big operators in the garden fertiliser market agree.

ICI bases much of its optimism on the success of liquid feeding in the American garden market and, rather than develop one of its own commercial feeds for home use, it has chosen to market the most successful American brand, complete with its own dilutor. It is this device, by no means new but never accepted enthusiastically by English gardeners, that lies at the heart of the whole operation.

Commercial growers could scarcely exist without dilutors. They attach them to their irrigation plants and turn on the fertiliser supply whenever they consider it necessary. It is labour-saving, highly-efficient and controllable instantly.

If a granular fertiliser is used – and this is the nature of Miracle Gro, the fertiliser ICI has chosen – it is dissolved at a controlled rate by the flow of water over or through it. When all the fertiliser has been distributed, the irrigating plant can either continue to deliver plain water or be turned off. All that is required is watchfulness and understanding; the sort of thing that one well-trained man can control almost from his desk.

The dilutor which ICI is marketing with its Miracle Gro (and the very similar device which Phostrogen is selling for use with its own well-known soluble fertiliser) is for attachment to ordinary half-inch garden hose-piping – in the same way as a spray nozzle – and is designed to be held in the hand. The amount of fertiliser in the container makes no difference to the concentration of the liquid fertiliser but only determines how long it continues to deliver it. If you put in more than is required, it can remain in the canister until it is time to feed again and there will be no change in the concentration.

It all sounds too easy to be true but it undoubtedly works with both the rival pieces of equipment which I have tried. The ICI applicator has a simple on/off tap which enables the flow to be controlled without need to go back to the mains tap. The Phostrogen version lacks this but has a variable spray nozzle. I find both features useful and would like to have them combined in one model.

I think that a side-effect of liquid feeding will be to reduce the total quantity of fertiliser used. This is because of the very considerable degree of dilution and the consequent volume of fluid that has to be applied to get even a few ounces of fertiliser spread around. You are aware not only of the water falling on to plants and soil but also of the time taken – perhaps five minutes for an amount of fertiliser which, if scattered by hand as granules, would disappear in a few seconds.

Liquid feed is available to plants from the moment it is applied and does not depend on rain or irrigation to wash it into the soil. A lot of it will probably go in directly through the leaves. Foliage feeding has proved particularly useful to correct growth peculiarities caused by deficiencies of trace elements that plants must have in minute quantities only.

I would not be surprised if an increase in liquid feeding results in the disappearance of many mysterious disorders of this kind, since most soluble fertilisers, including Miracle Gro, contain some of these trace elements.

I am at least half-way to being convinced that ICI has found itself a winner, and I am certainly looking forward to giving Miracle Gro and also Miracid, a companion fertiliser formulated specially for acid soil plants like rhododendrons, azaleas and camellias, a thorough test this spring and summer.

Arthur Hellyer

COMPARISONS are inevitable, not odious. The Mazda MX-5 and the new Lotus Elan – about which I wrote three weeks ago – are look-alikes although the Mazda has rear-wheel drive (as did the original Elan) while the Elan is now front-wheel driven.

When bliss is going topless

***Stuart Marshall** re-discovers the joys of open-air driving*

Purists will, I am sure, debate endlessly the merits of front versus rear drive for small, two-seat sports cars. I have to say I found both the MX-5 (pictured) and Elan such marvellous cars to drive that I can't really see it makes much difference which pair of wheels puts the power on the road.

I had tested the Elan under grey Norfolk skies. The MX-5 turned up on a flawless spring day made for open-air motoring. Folding its hood was a longer, fiddlier operation than with the Elan because a fabric cover has to be press-studded into place. But getting behind the wheel of the topless MX-5 was like putting on a favourite suit.

The driving position is ideal, even for someone of my height (6ft 2in). The 1.6-litre, 16-valve, 115-horsepower (at 6,500 rpm) engine with fuel injection zips crisply through the gears and the shift is finger-light. With power assistance – and why not? – turn-in is instant and the steering dead accurate. You couldn't find an easier car to park. The MX-5 is as crisp as a new banknote, as responsive as a well-trained labrador.

On paper, the top speed of 121 mph (195 kmh) is nothing to get excited about – it's far lower than the turbo-charged Elan's 137 mph (220 kmh) and lower, even, than some of the hot hatchbacks. Closed cars are, of course, more efficient aerodynamically than open ones. But does it matter? It might to a saloon bar wiseacre, but to concentrate on theoretical – although, in practice, unusable – maxima is to miss the whole point of the MX-5 (and, for that matter, the Elan). Their owners will judge them not by the stop-watch but by the sheer joy of driving them.

For me, the few sunny hours I spent in the little Mazda on main and minor roads in Kent and Sussex were champagne motoring. It's a car you can't help driving well. There is no need to be aggressive to make good progress. You choose your moment to overtake, drop down a gear or two for the pleasure of using the box, depress the right toe and, instead of looking at someone's back bumper, it's clear road ahead. The feeling of satisfaction is the same when you drop your tee shot near the pin on a tricky par-three.

When it comes to open bends you think, rather than consciously steer, your way around. The MX-5's low profile Dunlops bite onto the tarmac and help the all-independent suspension to give a reasonably shock-absorbent ride.

I spoke of comparisons. Which is the better car, Lotus Elan or Mazda MX-5? It has to be the Lotus and it should be, because the turbo-charged SE version I drove costs £19,850 against the Mazda's £14,249. Even the non-turbo Elan is £3,600 more than the MX-5. On bumpy roads the Lotus feels a little more rigid than the Mazda, which is not to say that the Mazda's body is unduly flexible. By comparison with open cars of a year or two ago, it is as solid as a rock. The Elan has a better boot.

I rate both cars the stuff of which young drivers' dreams are made. And I reckon many a mature motorist would find buying an MX-5 – or an Elan – more rejuvenating (and a great deal cheaper) than spending the next 12 months at a health farm.

BMW challenges the hot hatchbacks

HOT HATCHBACKS have become so popular that something like every fourth VW Golf or Ford Escort sold is now the GTi or XR3 version. They are good cars, of course, with more than enough performance for most. But they have become victims of their own success. The sheer volume of sales has done nothing for their charisma.

Thus, to what does an upwardly-mobile executive with a couple of hot hatchbacks under his belt turn when something different and (dare I say) a bit more stylish is required? The answer, according to BMW, is the newly-introduced 318is. A two-door version of the familiar 3-Series saloon, it has a new and surpassingly smooth 16-valve 1.8-litre producing 136 horsepower at 6,000 rpm and lots of torque (pulling power) over a wide speed range. It uses unleaded petrol and can be had with a catalytic converter.

This grown-up answer to the hot hatch has M-Technic suspension, which is firmer and lower than standard and provides crisp handling without harming ride comfort. The seats are hip-hugging and the brakes are discs all round. Power steering, electric front windows, central locking with a security deadlock and tinted glass are part of the £14,750 package.

I tried it briefly this week on some slippery Wiltshire roads and thought it would do very nicely for a hot hatch driver wanting to move up the motoring social scale.

■ When the Z1 high-tech two-seat tourer was revealed as a prototype nearly four years ago, BMW said it would never come to the UK. But a few enterprising buyers managed to bring examples of this rare car to Britain, speculators muscled in and prices shot up.

Since then, the Z1 has become available officially in Britain (in left-hand drive only). BMW GB has persuaded the factory to increase its allocation so as to satisfy potential customers and do speculators in the eye. If you really want one and have £36,925 to spare, it can be built to your order in three months.

A futuristic "ideas" car, the Z1 has a plastic floor bonded to a steel chassis with a resilient – and ultimately re-cyclable – body that takes minor knocks without scarring. The doors and windows do not open but telescope electrically into the body sides. It is not the easiest car to enter and leave, and a mini-skirted girl trying to get in or out would surely stop the traffic. Once aboard, though, it is exciting and exclusive – and very draughty indeed unless the hood and windows are up!

With low-slung suspension and a 170 horsepower, 2.5-litre in-line six installed so far back it is almost mid-engined, the Z1 I tried went like the wind and cornered like a go-kart.

■ Other newly-available models released this week by BMW GB include the left-hand drive only M3 Sport Evolution, and the M5. The M3 is a £34,500, 238 bhp road-going version of a production car racer. The M5 is a 5-Series, four-door saloon claimed as the world's fastest of its kind although, in fact, its top speed is limited electronically to 155 mph (250 kmh). With right-hand drive, it costs £43,465.

From early May, the 5-Series saloon will be offered with a four-cylinder, 1.8-litre, 115-horsepower engine for a modest £16,450, or £16,800 with catalytic converter. It is no ball of fire and, clearly, would take some time to reach its claimed 118 mph (190 kmh) maximum. But take the numbers off the boot lid, refuse to compete with reps' Cavaliers at the traffic lights – and who is to know you are not the owner of a prestigious six-cylinder BMW saloon?

S. M.

BMW's Z1 . . . exciting and exclusive

BRIDGE

IN THE Charity Simultaneous Pairs held last week, I played with Peter Hardyment. This was our first hand:

N
♠ A J 10
♥ Q J 10 8
♦ 7 3
♣ Q 6 4 3

W
♠ K 3
♥ 5 3 2
♦ J 1098642
♣ 9

E
♠ Q987654
♥ 4
♦ Q
♣ J 10 5 2

S
♠ 2
♥ A K 9 7 6
♦ A K 5
♣ A K 8 7

With East-West vulnerable, my partner in the South seat dealt and bid two hearts. I replied with three hearts and South said four clubs. I showed my control with four spades and South said five diamonds. I could bid only five hearts but, when my partner went six clubs, I jumped to seven hearts and all passed.

West led the diamond knave, East played the queen and the ace won. The grand slam is cold unless the clubs break 4-1. Cashing three rounds of trumps, on which East let go two spades, South cashed his diamond king, on which East threw another spade, and ruffed a diamond on the table. West was marked with 10 red cards; if he held one club, he must hold two spades, so the squeeze against East was a certainty.

Crossing to the ace of spades, declarer ruffed a spade in hand, dropping the king from West, and the final piece of the jigsaw was in place. The last trump was played (dummy discarding the club three) and East, who held spade queen and four clubs, had no good discard. He threw the two of clubs and South's clubs took the remaining tricks.

Well bid and played perfectly by my partner. To bid and make a grand slam on board number one is a most encouraging start.

More than two hours later, this model turned up (the positions have been changed for your convenience):

N
♠ K 9 4 3
♥ 10 2
♦ 9 7 4 2
♣ 10 6 2

W
♠ 6 5 2
♥ K Q J 9 8 6 3
♦ –
♣ J 9 8

E
♠ Q J 8 7
♥ 4
♦ Q J 10 6 5 3
♣ K 4

S
♠ A 10
♥ A 7 5
♦ A K 8
♣ A Q 7 5 3

West dealt at love-all and opened with a pre-emptive three hearts. North and East passed and I, with little hesitation, bid three no-trumps. This ended the auction.

West led the heart king, which I ducked, but I won the second heart and studied the position. I had to assume that East held the club king, but there is more to it than that. I had to find out whether he had two or three cards in the suit.

I cashed the ace of clubs – an essential move – and crossed to dummy's one entry, the spade king. Now I returned the two of clubs and East produced the king. This was allowed to win, West followed suit, and my contract was safe with four club tricks, two diamonds, two spades and one heart.

East missed two chances to shine. If he jettisons his club king on the second round of hearts, I cannot develop clubs without letting West obtain the lead. His second chance was when I cashed the ace of clubs – he should have played his king under it.

The hands this year were very good and the instant match-pointing was a welcome feature. Our thanks to Better Bridge in Britain.

E. P. C. Cotter

CHESS

ENGLAND attained an historic success last week with their first victory over the legendary and almost invincible team of Soviet grandmasters who have dominated world chess for half a century. Their 6-4 win at the Visa summit international in Reykjavik brought them close to the even greater achievement of winning a major tournament ahead of the USSR.

The Visa match, backed also by IBM, began two years ago as an encounter between the US and Nordic nations but was broadened to include the Soviet Union and England as gold and silver medallists in the 1984, 1986 and 1988 olympics.

With their immense strength in depth, the Russians were clear favourites to win over 10 boards despite the absence of world champion Gary Kasparov, who has renounced team play, and former champion Anatoly Karpov, who was winning his candidates' final in Kuala Lumpur.

England began with a 5½-4½ succes over the US but then went down 3½-6½ to the Russians. The three olympic top boards, Nigel Short, Jonathan Speelman and John Nunn, all lost and the next round's bare 5½-4½ win over the Nordics was marred by Short's third successive defeat.

England repeated their 5½-4½ victory over the Americans in their return match but still looked destined for third place before the penultimate round. Their memorable win against the USSR was sparked by Nunn's win (given below) and a rout on the middle boards. Michael Adams, the 18-year-old British champion, beat Gurevich, the world No. 5; Daniel King defeated Dolmatov, winner of the Hastings tournament; while Mihai Suba, the Rumanian exile, outplayed Azmaiparashvili, winner of the Lloyds Bank Masters.

First place was there for the taking but, in the tense last round, both USSR v US and England v Nordic ended 5-5, leaving the final totals USSR 31½ out of 60, England 31, US 30 and Nordic 27½. England were ahead of the Russians on match points but game points was the decider. However, the outcome re-vitalises England's status as the world's No. 2 team, a standing that had been weakened by the close result of the 1988 olympics and subsequent reverses in the world and European team events.

Bankers Duncan Lawrie and their managing director, Nicholas Grant, have supported the team for a decade of progressive achievement during which England have twice – at Dubai 1986 and at Reykjavik – come within half a point of unseating the Russians. One pointer suggesting that the greater prize might yet come was the fine form of Adams, who scored 4/6 and twice beat the strong US grandmaster Christiansen as well as winning from Gurevich.

White: John Nunn (England).

Black: Vereslav Eingorn (USSR).

French Defence, Winawer (Reykjavik 1990).

1 e4 e6 2 d4 d5 3 Nc3 Bb4 4 e5 c5 5 a3 cxd4.

A rare alternative to the normal Bxc3+, and the outcome here will hardly encourage a revival. White has the initiative, and open Q-side files for both his rooks outweigh the sacrificed pawn.

6 axb4 dxc3 7 Nf3 Ne7 8 Bd3 Nd7 9 O-O Nc6 10 Re1 Nxb4.

Here 10 ... cxb2 looks like a hot pawn (11 Bxb2 Nxb4 12 Ba3 when Black has trouble castling).

11 bxc3 Nxd3 12 cxd3 O-O 13 Ra4!

This type of rook development for K-side attack is common in master play, but many amateurs are still hidebound by the idea that you have to centralise rooks behind pawns in all circumstances.

13 ... f6 14 Rg4 Nxe5 15 Nxe5 fxe5 16 Rxe5 Rf5 17 Qe2 g6 18 Bh6 Kf7 19 h4 Bd7 20 Rh4 a5.

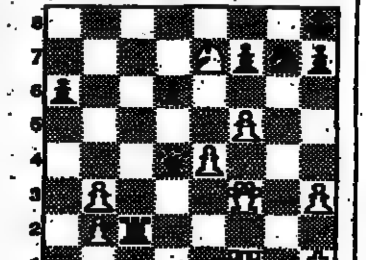
A late and doomed bid for counterplay, prompted by the alternative 20 ... b6 21 Bg5 Qe8 22 g4 Rxe5 23 Qxe5 when the white pieces pour in the K-side.

21 Rxb7 Qe8 22 Rxf5+ exf5 23 Qh2 a4 24 Qb5 Ke6 25 Rb6+ Resigns. If Kf7 26 Qxd5+ Be6 White can win a piece by 27 Rxe6 or, still better, go for a mating attack by 27 Qe5.

Problem 814: Apologies for a diagram error last week. The black rook at d8 was misprinted at c8. In the position as it appeared, with rook at c8, Black's best is Qxg4 with a pawn up.

PROBLEM No. 815

BLACK 8 MEN



WHITE 9 MEN

A. Kosten (England) v. T. Tolnai (Hungary), Budapest 1989. White (to move) is only a doubled pawn up, and Black plans Qe5 with the double threat Qh2 mate and Qxe7. It looks hazardous but Britain's latest grandmaster, Tony Kosten, found a winning sequence. How did the game end?

Solution Page XXI

Leonard Barden

BOOKS

Where fear and worship go hand in hand

***Joe Rogaly** reflects on the broad humanity in the work of Egypt's Nobel Prize winning novelist*

ISLAM IS a mystery to most of us in the West; we recoil from its extreme fundamentalist manifestations and wonder aloud at what, to us unbelievers, seem like its blatant iniquities. How can people behave like that? Why do they do it? More than a glimmering of light is to be found in Naguib Mahfouz's painstaking description of a Cairo family in the years during and immediately after the First World war. The presence of God and his Prophet is felt on every page; belief in their existence, and the possibility of Paradise, seems as natural to his characters as belief in themselves. This does not, however, protect them from monstrous transgressions.

The central character, al-Sayyid Ahmad Abd al-Jawad, is a comfortable shopkeeper whose fierce temper and strict regimen are those of a little god-tyrant at home. His family live in fear of his every word; they also worship him. His wife, Amina, awakens every midnight to stand at the top of the stairs with a lantern to welcome him back; it is her nervous pleasure to help him wash and undress for bed. He is, however, returning from most ungodly pursuits: an evening of wine and broad jokes with his friends, topped off by a session of music and lovemaking with one of a series of well-rewarded mistresses. Life is for pleasure; the home is for stern rule. He sees no contradiction in this, and no sin that will not be forgiven.

His eldest son by his first marriage, Yasin, is filled with disgust for his frequently-divorced mother. "A woman. Yes, she's nothing but a woman. Every woman is a filthy curse. A woman doesn't know what virtue is, unless she's denied all opportunities for adultery," Yasin tells himself. His late youth is cursed by uncontrollable lust; he pounces on servants. Al-Sayyid Ahmad is different only in his care to maintain respectability. "They told me you're a womaniser and a heavy drinker," complains one potential mistress during their pre-coital negotiations. "He sighed audibly in relief and commented, 'I thought it would be criticism of some fault, thank God.'"

In a 1990s novel this might be part of some elaborate joke, but Mahfouz writes with 1890s straightforwardness and what seems in this translation to be the unfortunate absence of a developed sense of humour. The blurb quotes a reviewer who says that Mahfouz is "not only a Hugo and a Dickens, but also a Galsworthy, a Zola and a Jules Romains." He is none of these, but simply a very good writer. *Palace Walk* sometimes has the atmosphere of a pre-war black-and-white film; it is none the worse for that, but do not go to it expecting the snap, sophistication and technicolour prose of today.

PALACE WALK
by Naguib Mahfouz
Doubleday £12.95, 498 pages

The life of every member of the family is determined by the whims of their ferocious father. Fahmy, the second son and a devout law student, is denied an engagement to the girl next door; Amina is (temporarily) banished from the house for daring to leave it – just once, *in the company of her youngest* son Kamal – to visit a holy place; their daughters, Khadija and Aisha, may not move, let alone marry, without his agreement. Yet he clearly loves and depends upon the emotional support of them all, as the dreadful final pages show. His care for their well-being is second only, perhaps, to his desire to be loved as a good companion by his jolly circle of male friends.

It is an Arab version of Victorian stability, but it does not last. When the demonstrations against the English erupt in 1919, al-Sayyid Ahmad is treated to the indignity of being frog-marched to a trench and made to fill it, scooping up the earth into the bucket with his bare hands. Nationalism beats fiercely in his heart, yet he is cowardly, afraid for his own life and that of his family. Only Fahmy leads the way to a later generation's courage.

Palace Walk was originally published in Arabic in 1956; this English version introduces a haunting new character to the consciousness of those of us who cannot read it in its original form. It is only too easy to believe that he still exists, in Cairo, Baghdad, Tehran and, shall we say, Bradford. What is more, for every one al-Sayyid Ahmad there are doubtless a thousand Fahmys.

It would be a gross injustice to the author to leave it at that. His 1988 Nobel Prize for literature is merited by this first volume of his "Cairo Trilogy" alone. It offers the verisimilitude, the close observation of detail, the slow, careful development of character, and the broad humanity of all great novels. The old quarter of Cairo, in which the author was born, is perfectly re-created; more importantly al-Sayyid Ahmad and his family differ from modern Westerners, and everyone else, only in outward forms. They way they truly feel is universal; the way this particular reprobate behaves is not confined to hypo*crites in the Cairo of 70 years ago.* Nor is the underlying attitude to women. Islam's mystery begins to be penetrated if you simply postulate that many of its people are living as many Westerners did three or four lifetimes ago.

★

Doubleday is publishing three shorter works by Mahfouz in paperback to accompany *Palace Walk*: *The Beginning and the End* (1949), £5.95; *The Thief and the Dogs*, (1961), £4.95; and *Wedding Song*, (1961), £4.95

Underground art

FOR 80 years London Transport has commissioned posters from contemporary artists; the former curator of the London Transport Museum, Oliver Green, has collected together some of the best in "Underground Art" (Cassell £16.95, 144 pages). "Thanks to the Underground," was the work of 'Zero' – Hans Schleger, a refugee from Nazi Germany.

Caught by the Middle East bug

Andrew Gowers on a masterly view of the Arab-Israeli conflict

TAKE A Jewish reporter on the *New York Times*, post him for more than five years to two capitals on the main fault-line of the Arab-Israeli conflict, and stir in a brisk storyteller's manner and a shrewd eye for detail. The result is one of the most readable and engaging books about the Middle East to have appeared in years. It is also, not altogether surprisingly, a book with something of a split personality.

Tom Friedman, now the *Times*'s diplomatic correspondent in Washington, is anything but a disinterested observer of events. He makes clear from the start that his story should be read very much as a personal odyssey. His exploration of the Middle East's intractable problems is also an attempt to understand for himself why the region has been such a life-long obsession. It is this effort, and the honesty with which he undertakes it, that gives his writing particular power and freshness.

Brought up in "a rather typical middle-class American Jewish family" in Minneapolis, Friedman caught the Middle East bug during a visit to Israel in 1968. Like many other American Jews, he found Israel's euphoria over its triumph in the Six-Day War infectious. But the enthusiasm swiftly transformed itself into curiosity about the other side, and a desire to experience the Arab world at first hand. Strangely enough, it is during the Beirut leg of his subsequent journey that he seems most at home.

The backdrop is a chronicle of familiar horrors: the daily round of devastation; the aimless posturings of Lebanese and Palestinian leaders; the numbing violence of the Israeli invasion of Lebanon; the brutality of a Syrian President who massacred thousands of his own citizens in the town of Hama; the miscalculations of outsiders sucked into the Lebanese conflict, not least the Americans themselves.

What Friedman brings to this well-ploughed field is a peculiar intensity and economy of observation. Resisting the temptation to dwell at gratuitous length on gore, he devotes much more attention to the overall "feel" of Beirut – to its absurd, almost phantasmagorical character. "The distinction between words and deeds was often lost in Beirut," he writes. "It was a display culture, a city of amusement-park mirrors, which made short people look tall, fat people look thin, and insignificant people look important."

From Beirut to Jerusalem is packed with memorable and entertaining phrases of that ilk. Yassir Arafat, says Friedman in a description that I suspect will stick to the PLO leader for some time, is "the Teflon guerrilla . . . the Ronald Reagan of Palestinian politics." Former President Amin Gemayel of Lebanon is kissed off as a "sometime playboy, sometime businessmen, all time zero."

Friedman also shows an almost cinematic ability to encapsulate an incident by zooming in on a telling detail or remark. What you notice after an explosion, he says, is the fact that all the leaves have been blown off the trees. When Maronite Christian militiamen were busy massacring Palestinian refugees in Sabra and Shatila in 1982, he records one of their number telling a journalist outside that the plan was to turn the refugee camps into a shopping centre.

FROM BEIRUT TO JERUSALEM
by Thomas Friedman
Collins £15, 541 pages

The one-liners do come with a penalty attached. At times the wise-cracking tips over into glibness, especially on the relatively frequent occasions where Friedman dons the mantle of amateur psychiatrist to Arabs and Israelis. Once the author arrives in Jerusalem, he lapses into a more solemn tone, and his prescriptive passages – setting out the terms on which the Israeli-Palestinian conflict might be settled – are also his least successful.

But even in Israel, where he is by definition closer to the story, Friedman's approach is both original and thought-provoking. His analysis of the changing shape of relations between Israel and the American Jewish community is masterful, as is his summary of the intricate "Who is a Jew" debates. The fact that he was able to maintain objectivity over delicate issues in which he – as New York Times correspondent and Jewish to boot – was directly involved is in itself a striking achievement.

Buoyed up by fiction

WILLIAM HEINEMANN, the publisher, is one of the unjustly forgotten figures of the 1890s. Descended from a German family of anglicised Jews, he combined the attitudes of an Edwardian dandy, diner-out and first-nighter with a flair for discovering what was truly original in contemporary literature and presenting it to the educated English public.

He published Ibsen when the Norwegian's name was still a dirty word, and he commissioned Constance Garnett to make her famous translations of Dostoyevsky. He noted the success on the continent of Baron Tauchnitz's cheap reprints (early paperbacks) and tried to do something similar here in an English Library with authors like Henry James, Stevenson, Barrie, Meredith, Jerome K. Jerome. He instigated the Loeb Classical Library, and above all he smashed the power of the circulating libraries who insisted that all new fiction should be published in three volumes – he told them that henceforward his would be published in one volume, and the other publishers followed suit.

WILLIAM HEINEMANN: A CENTURY OF PUBLISHING 1890-1990
by John St John
Heinemann £30, 689 pages

His first great star was the now equally forgotten novelist, Hall – later Sir Hall – Caine, whose best-selling *The Bondman* kept the House of Heinemann afloat for its first decade. It has managed to stay afloat for 100 years, but just how much of a close-run thing it has frequently been is made clear by this absorbing centenary history. The first big crisis came in 1920 when Heinemann died suddenly aged 57. He had no children to succeed him and the senior partner, Sydney Pawling, a cricket-loving Englishman who before joining Heinemann had worked at Mudie's Library, was "in a state of shock."

Rescue came from across the Atlantic in the form of N F Doubleday (nick-named by Kipling "Effendi" on account of his initials), head of the American company which like Heinemann had a high reputation for publishing quality fiction. Effendi made a quick decision and bought a controlling interest in the company.

For the next nine years the takeover worked well. Effendi was a benevolent but astute chairman, coming over once or twice a year to check up but leaving the running of the company to his English colleagues, Pawling, C.S. Evans and their staff. The company now built its own press at Kingswood in Surrey. Thus Heinemann acquired its second wind, developing the talents of best-selling novelists such as Maugham, Priestley, Francis Brett Young, Galsworthy, and winning the fresh impetus that is so difficult to attain once the impact of the founder of a publishing house and the aura surrounding his name have gone.

Although the imprint was to go through many further changes of ownership and structure, its position, first established by Heinemann himself, as a market-leader in the field of fiction, has always remained its strength. Just as in the early days the leadership was split between Heinemann and Pawling who thoroughly disliked each other, so, when Doubleday eventually withdrew after the Wall Street Crash, the pair at the helm, Charles Evans and A S Frere-Reeves, were equally at odds but at the same time both equally skilful at their jobs. If the library fiction – Beatrice Keen Seymour, D.K Broster, Kate O'Brien, Mrs Belloc Lowndes, to name but a few such authors – was sedulously cultivated by Evans, Frere (as he came to be known), one of the great characters of publishing, handled literary authors like Richard Aldington, D.H. Lawrence, Steinbeck. However, it was Evans who first signed up Graham Greene.

Evans died in 1944, and Frere became chairman, with Evans's son Dwye as his colleague. The great Greene boom began in earnest, and the fiction list was strengthened by Anthony Powell, Olivia Manning, Paul Scott and others. These three did not sell then like they do now, but the success enjoyed by the novels of a pioneering aeronautical engineer, Commander Neville Shute Norway, who wrote *A Town Like Alice* etc. made up for that.

However, there were further shoals ahead in the shape of a financial crisis in 1961 involving not only the main company but the subsidiaries it had acquired, Peter Davies Ltd and Rupert Hart-Davis Ltd. A complex sequence of events led to a proposed takeover by McGraw Hill and then, after this foundered, a merger with The Bodley Head with autonomy for Heinemann, but this too was called off at the eleventh hour, the company becoming part of the Tilling Group. Frere stormed out and Greene went with him, or rather he went to Max Reinhardt's Bodley Head.

One of the problems of writing a publishing history is that recent events make it out of date before it is published. John St John who, sadly, died after completing this book has made superb use of the mass of material at his disposal, alternating his vignettes of staff members and authors with accounts of locations, general trends and sales figures, in such a way as to avoid monotony. He dealt with the subsequent takeover of Tillings by BTR and the new regime at Heinemann under Charles Pick and then, until his resignation, Tom Rosenthal. St. John stopped though before BTR sold Heinemann to Paul Hamlyn's Octopus Group andthe subsequent merger of Octopus with Reed International.

Anthony Curtis

Not a man to go to war with

THERE IS a kind of high intelligence that firmly believes it is the only kind of intelligence, and this was the tragedy of Eric Dorman-Smith, known to his friends and many enemies alike as "Chink." A soldier of undoubted tactical brilliance, even genius, he had the misfortune to be swept aside, along with Auchinleck, after First Alamein. But the chances are that Dorman-Smith would sooner or later have run himself to ground. The man was simply incapable of bottling his thoughts, not just when his own survival and success indicated reticence, but also when the common good demanded it.

Probably the worst thing that ever happened to Chink was when "Boney" Fuller awarded him an unprecedented 1000 marks out of 1000 in a Staff College examination. This gave Chink *carte blanche* to pursue uncritically his deeply critical style of military thinking. He was never made to learn that teamwork, which is the essence of all military operations, requires heart, brawn and friendship as well as brain.

A Catholic Anglo-Irishman, Chink served longer than most junior officers in the Great War's trenches. While his fellows died, he was wounded, several times. Ultimately shell-shock overtook him, and his nerves broke. He remained in the Army however, rehabilitated, and his big break came when he joined Auchinleck's General Staff in Cairo, soon after Rommel had begun his thrust for Alexandria. In no time at all his incisive tactical analysis gave him his commanding general's ear. When the "Auk" took over command in the field, they slept side by side in the desert. Together they worked out how to stop the German in his tracks.

A MAVERICK TO RELISH
by Lavinia Greacen
Macmillan £18.95, 392 pages

Eric Dorman-Smith – 'Chink' – at rear, with Auchinleck (far right), confront Churchill in the desert

But stopping Rommel was not enough for the Prime Minister. Churchill wanted him instantly repulsed as well, and when Auchinleck hesitated, supported by yet more of Major-General Dorman-Smith's analyses, both men had to go.

For Chink, however, the knives had long been out. His ability to infuriate all those around, his lack of tact when dealing with those immediately superior to him, and his equal lack of chivalry in dealing with subordinates, had earned him an unenviable reputation. When, after two years' brigade work in England, he returned to the front a shabby conspiracy saw him off for good.

Conceivably the least, or the worst, utilised talent of the whole war, Chink, demoted to the rank of colonel, returned to Ireland with a permanent anti-Establishment chip on his shoulder. This eventually led him to giving tactics lessons to the IRA, in the days when the IRA was still a small, God-fearing squad of principled nationalists. But even they baulked at giving him a senior position. In infantry parlance, Chink never was a man you'd want to go to war with.

His career was also stymied by divorce at a time when divorce was decidedly non-U. But for his biographer this is nothing but a boon, because Chink's mistress Eve, later his second wife, was the recipient of a barrowload of his letters, and it is his letters that make Chink a maverick to relish. An intermittent friendship with Ernest Hemingway, engendered by a chance encounter in 1918, probably improved both men's styles. Hemingway acknowledged as much when he gave the name "Cantwell" to one of several characters in his books based on Dorman-Smith.

Cleverly and wisely Lavinia Greacen has built her biography, as much as possible, around Chink's own words. If she is weak, she is weak on matters covered in any number of other studies of the Desert War. An overview of the campaign is hard to detect, and there are no helpful maps or diagrams.

Instead we are given the nonstop benefit of Chink's busy, bitter tongue. "Saw the great Archie in London," he writes of Wavell: "he seemed a little piano." "Brain in an army is like a nail in one's shoe, out of place if it's too sharp or hasn't been properly turned down." Flying across the sands in a bombardier's seat, he feels like "a basted quail in a glass casserole." The hyphen of the Irish-Americans is "wreathed in faded shamrock." On himself at the end of 1942: "hollow, empty, vacant, laid aside, like a dress upon a chair." And ten years later: "a middle-aged prostitute who *still has an L* plate up."

Quips and jests like these on almost every page make Chink an unexpected, and utter, joy to read.

Justin Wintle

Ambivalent about the army

SOME PEOPLE are suckers for punishment. Michael Asher has made his name travelling on camel and foot with Sahara nomads. In preparation he spent eight years serving, successively, as a private soldier in the Parachute Regiment, an SAS reservist and an anti-terrorist policeman in Belfast.

He published several travel books before getting around to writing about his military experiences of the 1970s. His account gives an intimation of his difficulty grappling with that period, his own motivation and, despite the tough portrait of the Army, his ambivalent feelings towards it.

Sensitive treatments of modern army life, especially for the common soldier, are rare. David Lodge did it with his novel about National Service, *Ginger, You're Barmy*, and in many ways Michael Asher's story covers the same ground – the endless "bull," the bullying, a vindictive NCO, an accident in firearms practice. The difference is not really in the form (both are elaborated from real experience) or the period, but in the degree of involvement. Lodge's first-person character was a conscript who hated joining. Asher is a volunteer in search of adventure, who admits to becoming "perverted" by the ambient mentality.

SHOOT TO KILL
by Michael Asher
Viking £14.99, 277 pages

This is not the stuff for Army recruitment campaigns. Its depiction of the squaddy's life, from the hooliganism of Aldershot to the brothels of Asia, leaves no warm glow. From initiation at the age of 18, after failing selection as an officer, the author takes us through two tours of duty in Northern Ireland before he fails the commissions board again and leaves. At Leeds University, with a chip on his shoulder, he joins a Territorial Army SAS unit, and then opts to go back to Northern Ireland in a Special Patrol Group of the Royal Ulster Constabulary, before deciding he can "no longer be a fighter in someone else's war."

What the book is not about, although he tries to steer his *story close to it*, is the "shoot-to-kill" controversy in Northern Ireland. To that extent, the title is a cheat. He is indeed taught to shoot to kill, as all soldiers are; only in cowboy films do gunslingers aim at opponents' limbs. The "shoot-to-kill" issue is not about that, but the circumstances under which soldiers are allowed or instructed to shoot. Whether deliberate gunning-down of terrorist suspects has been condoned, as it was during Ireland's independence war 70 years ago, is a question this book does not illuminate, other than by hinting at the difficulty soldiers in Northern Ireland have in obeying all the cautionary rules of their "yellow cards."

The book has its faults: stilted regional dialogue, one or two heavy clichés, a bit of gratuitous gore. It flags at the end, as if the author is getting fed up with his own story. But it also has some crisp and evocative writing, and a transparent honesty in its description of what was not only a search for self-definition but also a search for belonging. It makes for some chilling confessions. Asher and his mates were listening to the radio on Bloody Sunday in 1972, when another battalion of the "Paras" shot 13 people dead in Londonderry. "When the news of Bloody Sunday came through," he writes, "I am ashamed to say we cheered."

David White

ECONOMICS • FINANCE • INDUSTRY • TRADE • MANAGEMENT

The FT Review of Business Books

ON MONDAY APRIL 2 the Financial Times will extend its literary coverage with the publication of the first FT Review of Business Books. This section, which will be inserted into the main newspaper, will expand our reviewing of the considerable number of new books about economics, finance, trade, industry, management, etc. The next issue will appear in June.

A legacy of bitterness

WARREN TUTE has written an interesting book about an issue which should be of importance to everyone concerned with an overdue historical task: reinterpretation of the Second World War as a global conflict which accentuated rather than resolved several traditional disputes. Notable amongst these disputes was the place which Britain and France should take in a post-war Europe likely to be all but dominated by the US and the Soviet Union.

Churchill and de Gaulle, despite their swingeing rows, were agreed on the necessity for their nations to avoid domination by the two prospective super powers. But relations between such supremely idiosyncratic national leaders were constantly bedevilled not only by the existence of Vichy – representing a real France and a real French Empire for the majority of French citizens until well into 1943 – but by the sheer necessity, as Churchill saw it, to ensure that the regime's considerable strategic assets were not entirely seized by the Axis.

Hence the tragedy of Mers-el-Kebir; the fiasco of Dakar; the essentially political conflict over Syria and Lebanon – in which, belatedly, one can say that Churchill was serving his concept of Britain's imperial interests rather than opposing Vichy and supporting de Gaulle; the seizure of Madagascar – by British forces but on behalf of Fighting France; and, finally, the Anglo-American invasion of French North Africa in November 1942 – Operation TORCH. In all these conflicts – "war" is an exaggeration – Vichy forces were destroyed, defeated, or, in return for political favours, induced to surrender. But the conflicts left a legacy of bitterness which has by no means been dispelled.

Warren Tute describes these conflicts crisply and has revealing and occasionally moving accounts of isolated, individual acts of gallantry and sacrifice. He is refreshingly honest and imaginative in his rendering of the agonising dilemma *facing* so many French citizens, in and out of uniform, after the fall of France in June 1940. Vichy, so often dismissed as an aberration, is shown to represent a prevailing French desire for compromise. Vichy's leaders – Pétain, Laval, Darlan – are shown as victims of circumstance rather than villains of the piece. One can dissent from Tute's assessment, but disposing of bogeymen is always to be commended.

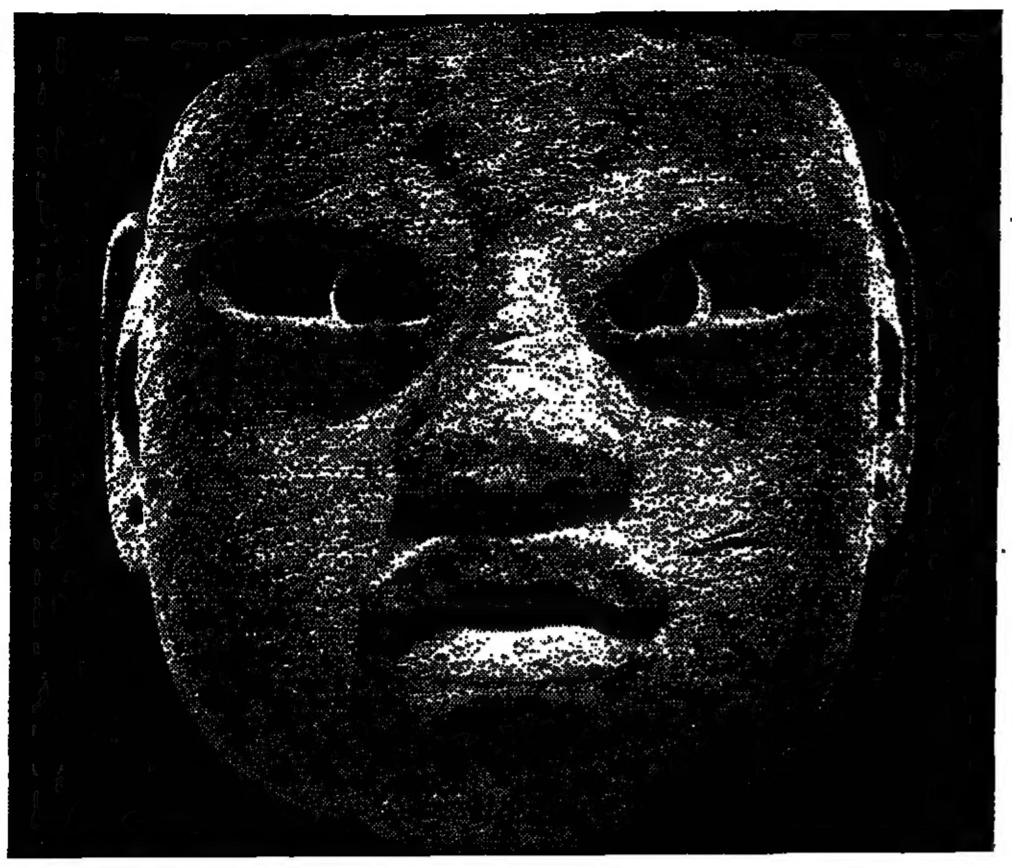
There are, however, two serious flaws in the book under review, one substantive, the other technical. Tute virtually ignores the issue of French Resistance, not only to German occupation but to Vichy. It could be argued that, as Resistance only became effective once Vichy was largely discredited and all but disowned, ignoring its origins and early years does not matter. But British support for Resistance – as a concept – from 1940 onwards further bedevilled Anglo-French relations, not least because what Churchill and de Gaulle wanted from *résistants* were two very different things. Churchill wanted Resistance to be an adjunct to conventional military operations; de Gaulle was determined that it would establish his political base in France. Not until late 1943 was this conflict resolved, when Churchill accepted that de Gaulle's detestation of communism quite equalled his own.

THE RELUCTANT ENEMIES
by Warren Tute
Collins £16, 336 pages

Tute has a cavalier way with his sources. The bibliography is confined to published works – with surprising omissions – yet it is clear from the text that he has had access to important primary sources. But no references are given and the reader unfamiliar with the subject will have to take rather too much on trust. In particular, Tute's account of the political aspects of TORCH fails to draw the correct inferences.

Anthony Verrier

ARTS



A jade mask on offer at the Salon de Mars

Spoilt for choice at the Fair

Antony Thorncroft visits Maastricht and Paris

LONDON'S TRADITIONAL pre-eminence as the global centre for the buying and selling of works of art is under threat. New York has become the major auction capital and now antique collectors in northern Europe are being serviced by important local Fairs, the dealers collective answer to the dominance of the salerooms. The perspicacious buyer of antiques, and particularly the dealer in constant search of diminishing good stock, could have spent last week productively by taking a final scan of the Maastricht Fair on Sunday and then moving down to Paris where an important new event, the Salon de Mars, opened on Tuesday and ends tomorrow.

Both Fairs are relatively new; both have a splendour and richness which London only matches at the Grosvenor House Fair in June. From the dealers point of view they have the advantage over Grosvenor House of being much cheaper to buy into: you could have a stand at Maastricht for £10,000 and at the Salon de Mars for less. The downside is that so far they attract few Americans, and even fewer Japanese, the moneybags of the art world.

More and more dealers are attending (selectively) Fairs. They find them less expensive than advertising in the glossy antiques magazine; there is the chance to pick over their competitors stock; and even if they fail to clinch one sale there is the PR and promotional spin off – the chance to meet potential new clients. Most dealers expect to do most of the actual business in the month after a Fair.

At the moment some of the most important items at Maastricht are being slowly bargained over in London and New York the Hobhouse Gallery of New York has received an encouraging enquiry on the most expensive item at the Fair, a knock out still life by van der Uyl, which was priced at £3m; Richard Green has found a buyer for another Dutch still life, by de Heem, at over £1m; Koopman is negotiating hard over two William III silver sconces which once hung at Hampton Court and which now carry a £680,000 tag.

It is a good thing that there should be so much follow up trade because Maastricht this year lacked that key ingredient – optimistic buyers. Everything looked fresh but the picture dealers in particular found potential customers in a skittish mood and their trade, with a few exceptions, was down on 1989. Fears about international interest rates and the economic future of Germany were offered in explanation, along with the fact that that the price of Old Masters had risen by between 20 and 40 per cent in the past year and buyers were reluctant to adjust their expenditure in line.

It could have been that they were spoilt for choice, with literally hundreds of gleaming still lifes; shimmering seascapes; and jolly genre scenes. Maastricht, situated in that tongue of Holland which thrusts between both Germany and Belgium, very much caters for Dutch, German and Belgian taste and while some dealers like Noortman did very well (selling "Laughing children with a cat" by Judith Leyster for £650,000, twice the price it fetched at auction last year), others, like Johnny van Haeften, Colnaghi, Harrai & Johns, and Richard Green, reported sales, but no sensations.

Richard Feigen's trip was almost made worthwhile by the disposal of a picture in the closing hours; and the Weiss Gallery had an early Christmas when the the National Maritime Museum paid £300,000 for a portrait by Robert Peake the Elder of the Princess Elizabeth, daughter of King James I and later historicised as the Winter Queen, which will be the centrepiece in the Queen's House at Greenwich, designed by Inigo Jones for her mother, which opens, after renovation, in May.

In contrast dealers in textiles did splendidly, with the German dealer Franz Bausback finding a buyer, at over £500,000, for the Barnovicz collection of 65 sections of Safavid carpets. Chinese textiles were particularly sought after. Koopman was happy with its first visit, while the Belgian dealer Axel Vervoordt sold 61 items, helped by the fact that he had set up his stand like a cabinet of curiosities. The lesson of Maastricht, now established as a major event, was that variety in stock, and imagination in display, can catch the eye and the purse of the 25,000 art-drunk visitors.

The Salon de Mars was launched last year and seems destined for an expansive future. It takes place in tents on the Champs de Mars which stretches for a kilometre up to the Eiffel Tower. In theory it can expand to take in demand but the current battery of just over a hundred, mainly French, dealers is about right. It seems set to rival the famous Paris Biennale, to be held this autumn, which, as usual, is riven with disputes among the notoriously combative Paris dealers, with some of the largest refusing to take part.

The Salon de Mars is a much better-natured affair which spends less money on glitzy draperies and more on clean cut display. Its main selling point is that it combines modern and contemporary pictures with traditional antiques, so that you can see an 18th century cabinet alongside a Picasso. The stand of Georges Bac, the specialist in frames, takes this to the logical conclusion by displaying a painting by Julian Schnabel, a mass of dripping but colourful blobs of mainly blue paint, inside a late 17th century Italian frame: for sale singly or collectively.

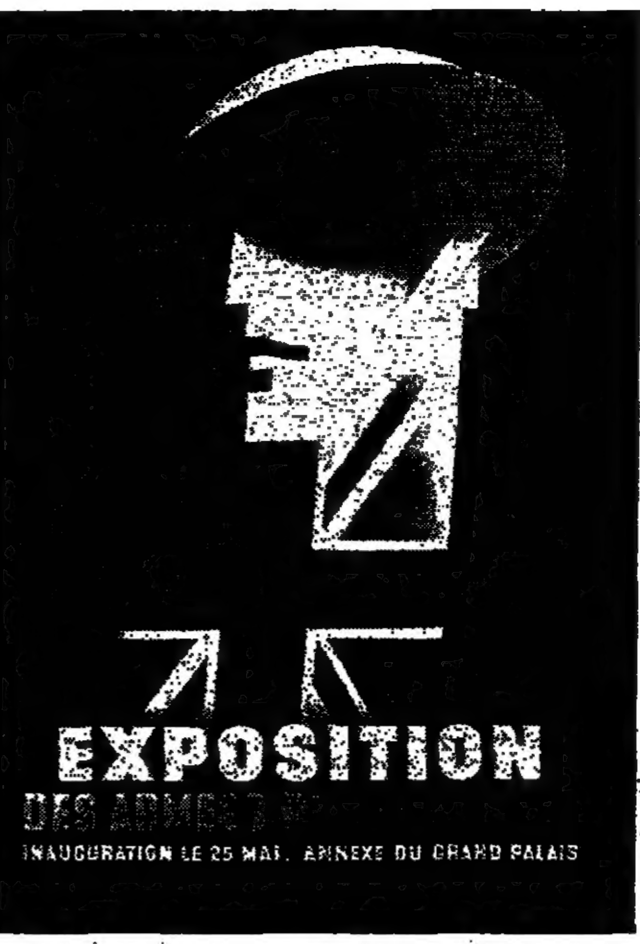
Another attractive feature, absent from most other fairs, is the space it finds for dealers in tribal art and in oriental statuary, in medieval religious figures, and in Japanese prints. It may not be the Fair for the few connoisseurs who can afford High Art, but any affluent collector seeking to enhance their home with a choice drawing – by Vuillard perhaps or David; or a painting by Magritte or Brueghel; or a Lalique vase or an archaic bronze – need look no further.

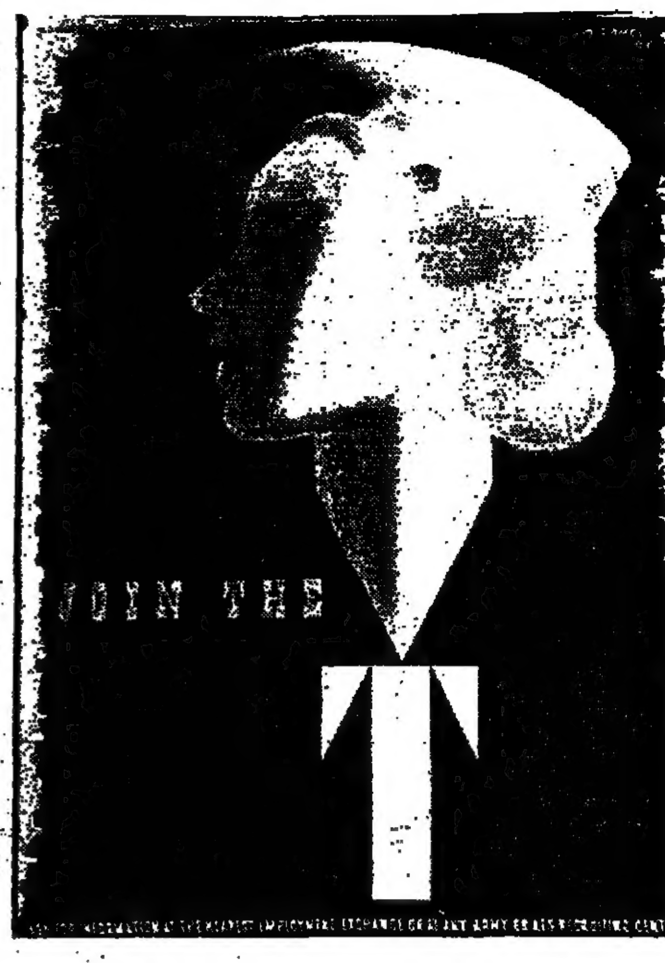
Paris is certainly enjoying a revival as an art centre. The Hôtel Druout, the collection of 90 independent officials who supervise sales and constitute its reactionary answer to Sotheby's and Christie's, may still be a jungle of the good, the bad, and the comatose auctioneers, but some of the participants are assembling very good auctions. On Sunday, for example, Guy Loudmer is offering Impressionist and modern art, which should total £60m making it a record for the Paris art market. There are Fauve works by Vlaminck and Derain expected to establish new artist records, plus a £6m Modigliani.

It is only Government restrictions, an antiquated system of selling art at auction, and jealousies between the dealers and the auctioneers which holds Paris back. In sheer numbers of operators Paris can still rival London and New York and the quality of its merchandise can be impressive. A dealer like Jean Lupu has a stock of furniture and decorative arts, including a £2m, 14th century Chinese Ming vase set in a Louis XV frame for the King of France, which has no parallel in London, while the forthcoming Impressionist display by Galerie Schmit will out shine anything a New York dealer can mount. Paris is up and running.

Unsung hero of graphic art

***William Packer** on Abram Games' work over the last sixty years*





Two examples of Games' work, including the famous ATS poster

IT IS a professional hazard for an artist of a certain sort that while his work may be widely known, he himself remains virtually unknown. Who, for example, can recall the name of the graphic artist responsible for the Guiness Toucan, or the Skegness sea-captain, or the Michelin Man, or Mr Cube?

The issue is the more poignant today, for with the camera now the overwhelmingly dominant medium of advertising, such opportunities are in decline. The graphic poster is now rare, and only the corporate logo remains. And who could fail to notice how crude and ill-drawn are such modern examples as the Intercity Swallow, or Speedlink's Lynx? The point is made inescapable by a touring exhibition, which the Financial Times is delighted to sponsor, of the work over some 60 years of the distinguished veteran of the art of graphic design, Abram Games.

This is no disinterested patronage, for Games's association with the FT is particular and historic. In 1951 he was commissioned by the late Lord Drogheda to design a poster for the paper, which led to a series of eight that ran through the 1950s under the admonition: "Men who mean business read . . ." That campaign, of images of newspapers variously anthropomorphised into businessmen, epitomises all Games's qualities.

But the greater pleasure is to move from the particular to the full range of the work, from the 1930s to the 1980s, in all its variety. Definition, discretion, simplicity and wit are his abiding graphic qualities, the idea isolated, refined and pushed just far enough, but never too far. And how familiar so many of them still are. So his was the Festival of Britain symbol, of Britannia in profile, akimbo with her string of flags, and his the paper darts of B.O.A.C., and the Jersey sunshade on the sand.

His too were some of the most memorable of the wartime posters for the War Office, the Brave New Britain springing from the rubble of the Old, if only we would "Fight For It Now." Most famous of all, perhaps, is his truly iconic recruiting image for the A.T.S., that was thought at the time to be even too glamorous for its purpose, the girl young and smart in her cap and uniform, wonderfully blonde and scarlet lipped, bright as a film star. Does she too look forward to that New Age, head turned in profile quite as sharp as that of the Festival Britannia?

The exhibition is now at the College of Art & Design in Cardiff, where it stays until April 6. The tour then continues through Wrexham, London (the Design Museum), Portsmouth, Truro, Aberystwyth, Brighton, London again (Camden Arts Centre), Dundee, Glasgow, Stockport, Hartlepool, and London yet again (the V.& A.). It then goes abroad, to Jerusalem, Paris and Strasbourg, and may even continue to the US.

★

Howard Morgan, who is showing recent oil paintings at the Richmond Gallery (8 Cork Street W1) and water-colours at Cadogan Contemporary (108 Draycott Avenue SW3: both shows until April 7) is a young painter who now enjoys a quite remarkable success as that supposedly extinct beast, the society portrait painter. As such, it is easy to carp at him but not altogether fair.

He has looked long and hard at Sargent, Orpen, Lavery and Munnings, and like them in their worse moments, he can be readily dismissed as slick and flashy. But he has something of their virtues too, most notably a painterly facility, and also an admirable ambition and industry. To take on the large conversation piece or figure composition is no mean thing, and his attempts at least deserve acknowledgement.

Whether he yet warrants so much more than that is another matter. My reservations centre on two aspects of his work that are, perhaps, connected. He is at his best in his smaller and more intimate works, oils and water-colours, in which he is most relaxed and assured, in particular his landscape paintings. With the figures paintings, the larger ones especially, he is less happy. Too often the drawing and modelling are rushed even to the point of the perfunctory.

Perhaps if he were to slow himself down a little and look again at the quality of Sargent's drawing, he might then begin to develop his abilities, rather than merely indulge them.

Fugard in Bristol

BEFORE THE lights go up on the St.George's Park Tea Rooms, New Brighton, South Africa, the director of this production at the Theatre Royal, Bristol, Matthew Warchus, plays us a little speech made in 1964 by Nelson Mandela, on his fight for equal freedoms for black and white. This is the theme of Athol Fugard's play. Fugard, formerly in the Native Commissioner's Court in Johannesburg, began writing about black people's problems in South Africa 30 years ago. *Master Harold*, comparatively recent, deals more directly with inter-racial understanding. It is based on Fugard's boyhood memories.

Master Harold (Adrian Scarborough), schoolboy son of the proprietress, is working on his prep, while the adult "boys," Willie (Wale Ojo) and Sam (Jude Akuwudike), discuss the forthcoming quickstep championships in the intervals between their doing any work. They begin to work out together an essay on how the dance competition could become a great event open to all, even to cripples like Harold's father; but Harold's mother spoils it when she telephones to tell him that his father is to come home from hospital – bad news for Harold, who has to look after him.

Sam, well-trained South African Bantu that he is, won't hear the boy speak against his father and Harold is so much offended at this interference that he spits in his face. Sam, in his turn, lowers his pants and displays his backside, to illustrate the real depth of Harold's father's joke, that a Kaffir's arse is "not fair."

All this argument has to be kept to the level of a 16-year-old schoolboy and a couple of African domestic workers. They don't reach childish conclusions; indeed the main conclusion, seen but never spoken, is one in which most of us now believe, that there should be more agreement between black and white. But 90 minutes seems a long time without any mature discussion.

The actors playing the "boys" are both Nigerians, but pass well enough for South Africans to an English audience. Scarborough as Harold has put on a South African accent as truthfully ugly as the boy's personality, but should try harder to be a schoolboy as well as a white man. The less-than-cosy tea rooms are the work of Mark Bailey.

B.A.Young

ARTS

Cosi with a difference

Alastair Macaulay on the WNO touring production

DOES VALERIE Masterson have the secret of eternal youth? I shut my eyes and remember her in the early 1970s — the silvery French voice, the limpid, touching diction and delicacy of phrasing, the slender waist, arms and neck, the touchingly refined line of her back and the carriage of her head. I opened them — and these things today are just the same. True, her technique shows a few signs of fray, but her voice remains young, her singing affecting.

For many people, her first British Fiordiligi will be the main reason to see the *Cosi fan tutte* that Welsh National Opera has been touring. She first sang the role in France in the mid-1970s, when her accounts here of other Mozartian heroines (Constanze and Pamina), sung with audacious and moving control, were among the glories of English National Opera. Her singing no longer stops a show. Some coloratura is lightly aspirated, some phrase-endings wispy. Yet, she is still all of a piece, for fragility was always part of her allure. I love the way a sudden firmness and glow suffuse her voice in certain lines — "Un basilisco," "Io Fame" — like a rush of colour to her cheeks.

This revival is also important for the musical text prepared for it by Charles Mackerras, based on the copyist's version of the 1790 Viennese première and another 1791 score. Every appoggiatura is supplied, and almost every item features elegant, pertinent vocal embellishments. More surprising is that, though this Vienna-première text includes two often-cut numbers — the men's duet and Ferrando's second aria — it makes several cuts and re-tailorings within numbers. The most strange occur in the Act Two finale. The words of the "E nel tuo" nuptial quartet are set not to the usual gorgeous melodic canon, but as a second verse of the "bevi tocca" quartet; and the sisters' plea for forgiveness is omitted. (All Mozartians should hear this text *once*. But Wolfgang was wrong.)

Mackerras himself conducted, with fleet, light tempi. No dallying, but no rush. This was a marvellously clear account, with many orchestral strokes sounding fresh, such as the woodwind and horns nocturne writing in Act Two. The most robust singing was from Peter Bronder, a brightly lyrical Ferrando, and from Bryn Terfel — his promising debut in opera — whose singing as Guglielmo is firm, dark, vibrant, and, in "Donne miei," vivid. Dorabella is the tall Canadian, Jean Stilwell — her WNO debut. Her marked vibrato matches Masterson's in duet, but elsewhere proves somewhat intrusive.

This, the first revival of a 1985 staging, has been largely reworked by Aidan Lang. He focuses almost entirely on the four lovers. (Though his Ferrando is considerably shorter than both sisters, this seems unimportant — a clue to Lang's deft tactfulness.)

Bryn Terfel, Maureen Braithwaite and Peter Bronder

Fiordiligi is capable, open-eyed sense, Dorabella bookish and melodramatic sensibility. At the end, a novel touch, perhaps prompted by the lightness of this cut finale. The sisters start to rip the clothes off their (original) fiancés chests and rush them offstage. Sweet loves to bed. Yet, this doesn't ring true, for the missing element has been sensuality. The seductiveness in the orchestra hasn't been present in the stage action.

RECORDS

Romantic and post-Romantic

IF THE CD reissue of Eliahu Inbal's Skryabin cycle, now a decade old (Philips 420 785-2), lacks the preternatural clarity of up-to-date, fully digital recordings, it has notable virtues. It comprises all three symphonies *and* the two later masterpieces, the *Poem of Ecstasy* and *Prometheus* (the "Poem of Fire"), and the Frankfurt Radio Symphony — with a commanding first trumpet — plays very well indeed. Inbal's sturdy good sense always earns respect, but here his plain, sympathetic penetration into the music goes far beyond mere professional expertise.

It enables him to deliver remarkably convincing performances of the uneven first two symphonies: young Skryabin's partly hand-me-down, partly adventurous idiom generously served, the symphonic proportions well-judged, the best Russo-Edwardian tunes given full affective value — satisfying beyond expectation. The richer Third Symphony proceeds with assurance, and both of the rapturous "poems" (brilliantly calculated, no freehand flapping) are excitingly realised. Though fond Skryabinites will be able to imagine more breathless delicacy or febrile nerviness for some passages, each whole performance strikes home. The First Symphony boasts the excellent solo voices of Doris Soffel and Fausto Tenzi, and *Prometheus* the stylishly subtle glitter of Wolfgang Saschowa's piano.

The latest recording of Ravel's evergreen *Daphnis et Chloé* is by Claudio Abbado and the London Symphony, coupled with the *Valses nobles et sentimentales* (DG 427 679-2). Abbado's readings are enthusiastically, somewhat innocently extrovert: string-recitatives of Italianate passion, melodramatic gravity in slow passages (particularly the hieratic beginning of *Daphnis*) and whipped-up fervour in fast ones, here and there some sudden, shameless *rubato*. Ravel's Watteau-esque and Schubertian idylls are slightly subverted, but the performances — like the recording — are vivid, and honestly musical.

After the Emerson Quartet's cool, marvellously exact Bartók cycle, their accounts of Ravel's and Debussy's quartets (DG 427 320-2) are a letdown. In the Ravel they invest a few passages with fine-tuned radiance, but generally they inflict more unbridled vibrato upon the main melodic lines than I could willingly hear again. Their Debussy is peculiarly brusque and aggressive, presumably in the interest of its "symphonic" dimension at a chill cost, however, to the wealth of magical sound-events for which we chiefly love it.

With Leonard Bernstein's latest Sibelius ("live" performances with the Vienna Philharmonic: DG 427 647-2) it's the other way round. In the Seventh Symphony he dwells so lovingly over each new event that no symphonic tension is ever established; and though his Fifth is more tautly sustained for three-quarters of the way through, he ends by hugging the Finale to death. It expires in stately, ever-slower heaves, after which the famous close — sharp stabbing chords separated by bated-breath spaces — makes no sense. Well, we must all grow old . . .

Neeme Järvi's fine Richard Strauss cycle with the Scottish National Orchestra continues with concert-extracts from the operas (Chandos CHAN 8758). To the standard *Rosenkavalier* Suite and "Salome's Dance," rich cream is added from *Capriccio*: the opening string sextet, the "moonlight" Intermezzo and Felicity Lott in the Countess's great closing monologue. Far from seeking to re-create theatrical "atmosphere," Järvi treats everything like robust concert-music — which is rather bracing. Even disconcerting in the *Capriccio* monologue, especially for those of us who were brought up on Schwarzkopf's scrupulously dramatised version: Miss Lott's is full-voiced, pressing and seamlessly musical, without dramatic indentation, suggestive colouring or natural German diction. For non-Germans, at least, it is gorgeous to hear.

The revival of interest in Hans Pfitzner, Strauss's politically compromised contemporary, finds an elevated echo in Robert Holl's recital of Pfitzner *Lieder* with the pianist Konrad Richter (Preiser 93331). Holl's gruff sincerity and his wide dramatic range — he is a Hans Hotter pupil — are precisely apt for Pfitzner's sombre lyrical vein, as is his complete lack of humour. It's a pity that the high-Romantic German texts (Goethe, Rückert, Hölderlin, Eichendorff) aren't accompanied here by English translations: fully to appreciate Pfitzner's art, you need to grasp the sense of the words he set with such sedulous care.

The composer Robert Simpson (b. 1921)is another defiant conservative, passionately devoted to an ideal of tonal debate and struggle. What he writes has nonetheless its own thorough-going, entirely contemporary logic. The rewards of following it — whatever your usual predilections may be — in his string quartets nos. 7 and 8 (Delmé Quartet, on Hyperion CDA66117) are considerable; and they prepare the way for his magnificent Ninth Quartet (CDA66127), almost an hour's worth of thirty-two palindromic variations and a grand fugue on a Haydn theme. *Only the toughest avant-garde hide could be impervious to musical invention of this high, uncompromising order.*

Anyone who took my advice last month about trying Conlon Nancarrow's player-piano music (on Wergo CDs), and who wasn't disappointed, might investigate Jukka Tiensuu's collection of explosive music for harpsichord (Finlandia FACD 357, distributed by Conifer). There are three big "advanced" pieces — Xenakis' violent, ostinato-ridden *Khoai*, Salvatore Sciarrino's *De o de do* (in which his characteristic spideriness develops unusual tensile strength) and Kaija Saariaho's high-strung, unabashedly personal *Jardin secret II*, which sets her live champion against electronic transformations of his instrument and of the composer's own heavy breathing.

Tiensuu matches these neatly with some bold 18th-century music, Corrette's extravagantly pictorial *Combat naval* and a teeming Fandango by Soler, and his own wry, queasily microtonal "Fantango." (As a matter of fact, his harpsichord-tuning also goes microtonal under the assaults prescribed by Corrette and Sciarrino.) He is a superbly efficient performer, and he makes an unanswerable case for recognising the harpsichord as a 20th-century instrument.

David Murray

Valiant Pilgrim's Progress

THE SMALL touring company is a hardy breed whose daily lot of travel and toil, with little reward on the immediate horizon bar the hope of continuing the struggle, bears a certain resemblance to John Bunyan's allegory of the Christian life. Few of these cultural pilgrims last as long as Andrew Holmes' five-year-old Empty Space, which took to the road two years ago with its striking, bare-stage adaptations of works sacred and profane.

A third of the way through its latest tour, which winds up in the celestial city in May, it found itself in the draughty St Margaret's Church, in Uxbridge, with bikers revving up outside while the congregation, several hundred at a guess, munched biscuits and clustered around the ecclesiastical urn between helpings of cultural sustenance. Never mind that half of them could only see half of what was going on; they knew the story. Never mind that the echoing church acoustic shod the actors in hob-nail boots; they understood that, too.

Artistically, the ambiance made this accomplished little chamber group seem like eager amateurs, not because Holmes has lost any of his imaginative touch, but because that touch has always functioned on an intimate level, inviting and caressing its audience rather than knocking them out.

Charlotte Winner, Paul Casselle and Kathleen Campbell in the Empty Space production

It is in the detailed evocation of environment and atmosphere that the company excels, and it is in the hubbub of Vanity Fair that this four-hander is most at home, with the squabbling of gamblers and the hawking of street vendors giving texture to a misadventure which ends with the lynching and immolation of Kathleen Campbell's saintly Faithful. Elsewhere, less successfully, we have the Slough of Despond, a glooping tangle of arms and legs; Apollyon (Andrew St John) galumphing down with a squawking and flapping of beak and claws, and the duckboard dungeons of Doubting Castle, where Paul Casselle's intelligent Christian and his demure companion, Hopeful (Charlotte Winner), are imprisoned by a head-banging giant.

Robin Brooks' adaptation keeps a dignified formality of language, but comes to grief with the signalling of episodes: repeatedly one is only told the name of characters after they have gone their way, which causes no problems with as familiar a monster as Apollyon, but quite a few with the pilgrim's subtler adversaries. It would take a remarkable actor indeed to make Worldly Wise intrinsically recognisable, but I'm sure the vicar of St Margaret's would tell you that is Bunyan's point entirely.

Claire Armitstead

Jazz in Camden

THE CAMDEN Jazz Festival has never been the sleeping bag and six-pack sort of event you find out of town. The bar and the lavatories are always easily accessible even when the jazz isn't and, typically, this year's event provided an electric mix of modern music.

More thinly spread than usual — changes dictated by Camden Council's financial constraints — the first half featured Henry Threadgill and the Jazz Warriors playing the Town & Country Club Sunday, followed by the cerebral scribbling of saxophonist John Surman and drummer/pianist Jack De Johnette at the Shaw Theatre on Monday and Tuesday.

Brian Abrahams District Six kicked off at the Town & Country with their uplifting "township" jazz, a hard act to follow. The quintet, which takes its name from a multi-racial area of Cape Town long since bulldozed, invited their workshop students from the previous week to join them for a rousing "Biko." The 20-odd horns and vocalists, maintaining the festival's tradition of involving local musicians, provided a splendid accompaniment to Abraham's excellent rhythm section.

The wiry figure of American composer Threadgill provided an equally interesting spectacle, pushing the UK big band of young black musicians through a series of fast, Mingus-esque themes. Pacing and pointing by way of direction, Threadgill, a pupil of Chicago's Association for the Advancement of Creative Music (AACM), kept the 18-piece Warriors steaming along, horns to the fore. Fast and seething, Threadgill's new compositions shared strong dense themes, carried along easily by the considerable weight of the Jazz Warrior's sound.

The beards and bald heads which make up Threadgill's audience eventually gave way to the dance crew which follow Working Week around *London's jazz dance venues*. Headed up by guitarist Simon Booth and saxophonist Larry Stabbins, and fronted by the pneumatic vocalist/dancer Yvonne Wait, Working Week are the sort of band that divide jazzers. Is it funk, is it fusion or is it acid jazz? It is certainly very loud, Tubs Williams' crushing bass dominating everything but Wait's dancing at Sunday's showing.

Sharp contrast indeed to the gravitas of the Balenescu String Quartet with the John Surman/Jack De Johnette partnership. Well used to each other's company, Chicagoan De Johnette and Devon-born Surman play free and melodiously: the American switching between piano and drums, Surman from soprano to baritone sax, the strings adding another dimension to ballads like Pastel Rhapsody. A strange mix that has worked for a decade, Surman's roots are in church choir music while De Johnette, another AACM alumnus, came up with the likes of Bill Evans, Monk and Miles Davis.

The Jazz Warrior's vibesman Orphy Robinson lent sombre and atmospheric support, playing a piece he and pianist Joe Bashorum were commissioned to compose by GLA. Enchanting, if over long, the four section composition made use of wonderful kora playing from Tunde Jegende.

This weekend sees the second leg of the festival, starting with a Jazz Against Apartheid programme at the Shaw Theatre tonight.

Garry Booth

Radio

Peasant into poet

NINETY MINUTES after Tuesday's Budget coverage on Radio 4 came *File on 4*, its theme "As company profits slump, who will pay for the arts?" The discussion was confined to the theatre. Sir Peter Hall argued for official subsidy rather than private-sector sponsorship, and everyone agreed except the Government's representative (Mr Richard Luce). The point was made tellingly by John Doyle of the Liverpool Everyman; he runs a communal activity, the Hope Street Project, partly on sponsorship, but doesn't always know how faithful his sponsors will be. The discussion was recorded long before the Budget announcement about tax relief on private donations (one reference somehow found its way in, in a subordinate clause); but it would have been good to have a spokesman for other claimants.

Here is a playwright whose career has depended greatly on encouragement from a company battling against shortage of funds. Though Edward Bond has been critically admired since his first play at the Royal Court, he has never had a popular success, and is virtually a stranger to radio. *The Fool*, based on the life of the poet John Clare, is for me his most attractive piece, despite the violence which he seems to think obligatory, and yesterday's production on Radio 3 did it credit. The adaptation was his own — who else would have allowed it 2 hours and 10 minutes?

Clare's life is painted in a series of separate scenes. First, mummers (including "John" — his other name is withheld) are playing at the manor house. A political slant is clear; this is 1815, the wars are done, wages will fall, the new Iron Age may mean less work in the fields. But John thinks only of his girl Mary, though he does make up a verse about bats. Next, the same peasants rob the houses of the rich. A hint of a false plot emerges; the leader Darkie Turner is arrested; Mary is his sister.

The repellent account of the assault on the parson, left stripped naked in the woods, is true to the Bond we knew from *Saved*, a pointlessly violent interlude whose only point is the arrest of the hero's friend. We follow the guilty (John is not one) to their last days in gaol. Then Mary runs off to live with gipsies, leaving John to marry the more down-to-earth Pattie.

So to Hyde Park, where John, now a published poet but a peasant still, has been brought to meet his sponsors (from the private sector). He is more interested in a boxing match near by, less so by Charles and mad Mary Lamb, who play no great part. Wealthy critics complain that he is "putting ideas into people's heads," but Clare murmurs that he has seen no nymphs in the fields, only a workhouse. So he might, for back at his cottage, with Pattie a tough wife and mother, he is busier scribbling than working. Worried patrons visit and find him mentally unstable. He believes himself married to Mary, he imagines himself a boxer. In a distressing scene, he is led off to the madhouse. "His books learn you to starve," Patty comments.

We do not follow him to the madhouse, but to a pathetic encounter on his road home, after he has escaped, with ghosts of old acquaintances — Mary, now squalid and sneering, Darkie, blinded in a boxing career and unable to swallow bread for the blockage in his hanged throat. In the madhouse again, 23 years after his first committal, he is visited by Pattie, now a little old lady, their two sons dead. There is no mistaken attempt to round the story off.

Penny Gold's production coped well with the scenes where various similar country voices conflict. Some individualities were subdued until it was vital to know whose they were; Gerard Murphy's Clare did not come to life until he had to, and even then he stayed low-key. Amelda Brown was a true countrywoman Patty, David Learner a tough Darkie who spoke his last scene most tellingly. Among the wealthy, John Woodvine kept some dignity in the parson's voice, and Ann Firbank combined affection and condescension as the backer, Mrs Emmerson.

B.A. Young

Chess No. 815
1 f8 Nh5 2 Rg1 (not 2 Qxh5 Qd2) Nxf6 3 Qxf8+ Qxf8 4 Rg8 mate.

SPORT

IN SPITE OF the ultra-competitive nature of grand prix racing, no-one closely involved with the business begrudged Ken Tyrell and his team their moment of near-triumph in the opening round of the 1990 season on the bumpy streets of Phoenix, Arizona.

Whether it presages a breaking of the mould in which grand prix has been cast for the past several years, namely total domination by McLaren Honda, is an entirely different question. The second round, at Brazil's new Interlagos circuit tomorrow, will provide some vital pointers.

For 34 laps at Phoenix Jean Alesi, the 25-year-old driver Tyrell plucked from the more junior Formula 3000 in the middle of last year, left 200m TV viewers worldwide plus a dismal 30,000 "live" spectators – dumbfounded.

From fourth place on the grid he out-dragged everyone into an immediate lead. McLaren Honda's Ayrton Senna, who had started fifth, eventually came up with him, but Alesi cheekily re-overtook the astonished Senna seconds after the former world champion had first swept by him.

Not until nearly half-race distance did Senna get by for good, and pull away to victory.

For "Uncle Ken," a craggy figure now in his 60s who is widely regarded as the father of modern grand prix racing, Phoenix marked perhaps the start of a successful new era for the Surrey-based team which several times have kept a foothold in grand prix only by extraordinary guts and determination.

There have been several years when Tyrell, as a team, have taken to the track with not a sponsor's name in sight on their cars, and with their bank balances dwindling rapidly in the background.

For Alesi, it was the dream start to the 1990 season, and a major boost to a grand prix career which is still very much in its infancy.

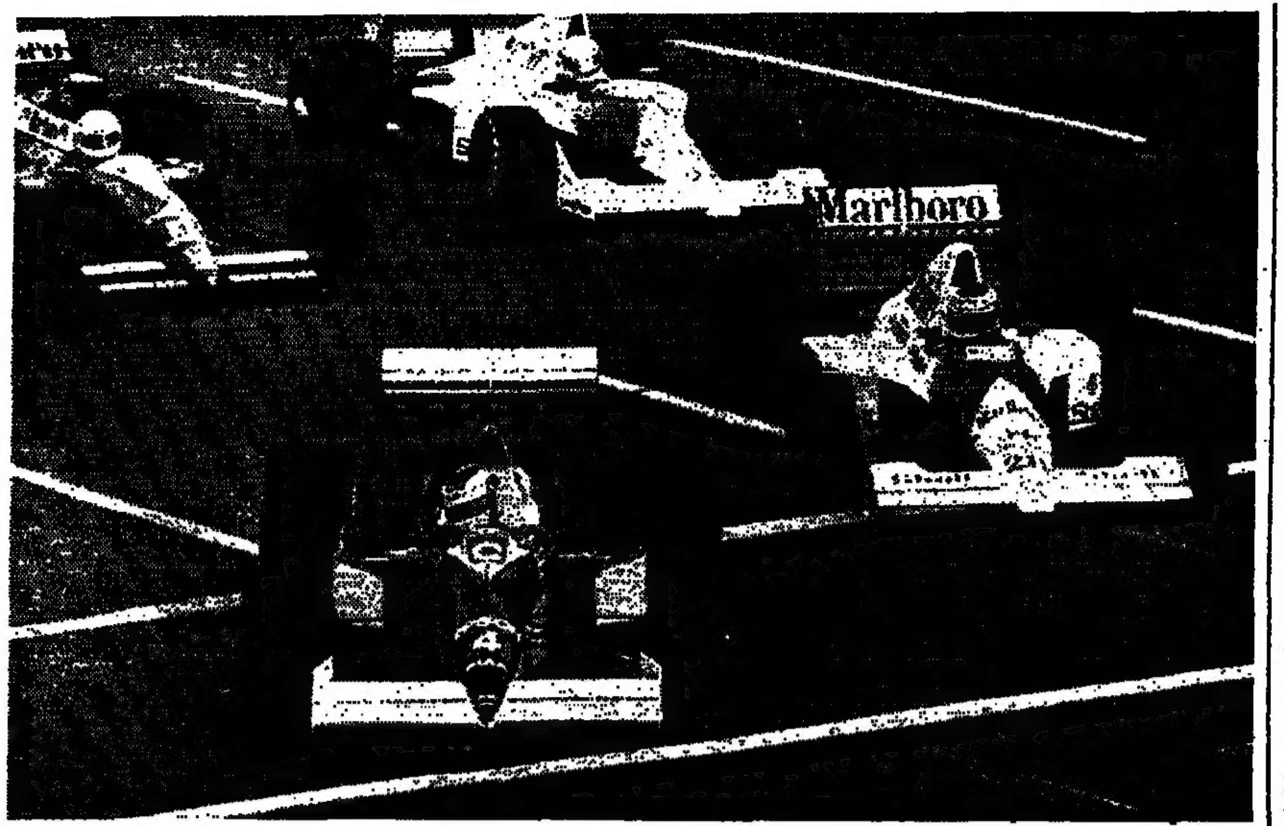
But perhaps most of all, Phoenix provided a long-overdue reminder to the world at large that motor racing fundamentally is about what happens on the track. Like a breath of fresh air, Alesi and his ultra-light and nimble Tyrell swept away attention from the bitter personal clashes between world champion Alain Prost, now with Ferrari, and Senna last year.

It made everyone forget, even if temporarily, that right up to a few days previously there was some question of whether Senna would even get his "superlicence" needed to race, as the issue of his "apology" to Jean-Marie Balestre, the president of Fisa, the sport's world governing body, rumbled on.

Balestre, it may be recalled, at the end of last season had demanded a retraction from Senna over remarks he had made suggesting that the 1989 world championship had been "manipulated" in a manner that, even indirectly, helped give Prost the world title.

Not least, Phoenix provided a reminder – in the sharpest possible way for Ferrari – that when the lights finally turn to green then all the bull, of whatever variety, has to stop.

As McLaren team chief Ron Dennis so wryly said as the Italian cars struggled to get on the third row of the grid at Phoenix – indeed, Mansell's best qualifying time was good enough only for 17th place – Ferrari had won only the "winter championship."



Jean Alesi storms into first place at Phoenix

Can anyone break the McLaren-Honda mould?

***John Griffiths** on the second round of the grand prix season*

What he meant was that a team can undertake all the pre-season testing it likes, and build up all kinds of expectations through public relations hype; but nothing matters but the 16-round championship.

Thus the carefully-nurtured Ferrari PR campaign giving the impression that this would be the year Ferrari finally trounced the McLarens was blown to smithereens at Phoenix along with Mansell's engine and Prost's early retirement with yet more problems with both Ferrari's V12 engine and its semi-automatic gearbox.

What then, will tomorrow hold on the faster, sweeping corners of the new and purpose-built Interlagos, which will provide a far more indicative test of the true capabilities of cars and drivers than the streets of Phoenix?

It would be a brave man indeed who is prepared to stake a lot of money on outright victory for anyone other than Senna, regardless of Alesi's stunning drive at Phoenix.

This is home territory to Senna. And any driver derives a little extra edge from a supportive crowd. In no case does that apply more than with Brazilians, who can make even an Italian crowd seem quiet. Yet what makes Senna's victory all the more likely is that, in terms of the tools which he is given to do the job, Senna actually needs that "little extra" probably less than anyone else on the grid.

For once again at Phoenix, the sheer, unrelenting – if humourless – professionalism of Dennis' McLaren Honda team shone.

It manifests itself in many ways, not least in the cars' overall dynamic capabilities and their Honda engines, which remain the best and most reliable in the business.

Senna's car did not miss a beat from start to finish at Phoenix.

And it is a not unreasonable argument, Alesi's fine drive regardless, that the only reason we did not witness yet another of the seemingly endless series of McLaren "one-twos" was simply driver error. Ex-Ferrari driver Gerhard Berger, in his first race for McLaren, unambiguously "lost it" and buried the car in the tyre wall on lap nine while lying second to Alesi, having actually started from pole position.

Ferrari, still trying to recover from what can only be described as humiliation at Phoenix, clearly has much work to do. Mechanical failure on the scale of two weeks ago can have only filled with dismay and foreboding their drivers, Prost and Mansell who are, for widely differing reasons, desperately keen to humble Senna and McLaren.

Yet, if only for the sheer scale of the resources now being piled in by their Fiat group parent, Ferrari must remain the most significant challenge to McLaren's rule.

As for Alesi, even Ken Tyrell acknowledges that "we won't be on pole at Interlagos." It is a circuit which favours power more than outright handling, and the Ford DFR V8s which power his and team-mate Satoru Nakajima's cars are at a significant disadvantage to the Ferrari V12 and Honda V10s.

But the disadvantage will not be permanent. Tyrell have forged a working relationship with close Surrey neighbour McLaren, under which they, too, are likely to gain access to Honda's engines.

Lazaroni's challenge

***Philip Evans** on South America's World Cup challenge*

THE ITALIAN word *gentile* means "kind, courteous, polite" – but Brazilians need to be convinced. A significant factor in their side's 3-2 defeat by Italy in July 1982 was the savage marking of their playmaker Zico by Claudio Gentile, which helped ensure that the World Cup eventually went to Italy and not to Brazil.

Now another Gentile has come into prominence – and might well have sabotaged Brazil's chances in the present tournament. Marco Gentile claims to be no relation, but in a Dutch club match on March 4 he broke the right leg of the prolific Brazilian, Romario, with a sliding tackle. Early forecasts that Romario will spend at least two months in plaster indicate that the final competition might be denied the presence of the leading scorer in the 1988 Olympic Games.

When England meet Brazil at Wembley on March 28, it will have been an extraordinary nine months for the cautious Brazilian manager, Sebastiao Lazaroni. On a short tour of Europe in June 1989, Brazil were defeated in Copenhagen by first Sweden (2–1) and then Denmark (4-0) before travelling to Basle and being beaten 1–0 by Switzerland.

Since then, however, there has been a remarkable transformation, started by winning the 1989 Copa America – Brazil's first victory in any tournament since the 1970 World Cup. In their opening match against Venezuala, Lazaroni stiffened the defensive sinews of the side.

This will be Brazil's first match since Careca's goal brought a 1-0 victory against Holland just before Christmas. Lazaroni has already decided on 19 of his squad. The 28-year-old Claudio Taffarel is the widely-respected goalkeeper, while in the new 3-5-2 system Mauro Galvao is an authoritative presence with the other two central defenders, Ricardo and the highly-gifted Aldair, colleagues at Benfica. The laterals should be Jorginho of Bayern Leverkusen and the free-moving Mazinho, but also in contention are the experienced Mozer of Marseille, Branco, who is having a splendid season with Porto, and the gifted 20-year-old Andre Cruz – who scored with a free-kick in the 1-0 victory against Italy in October.

Several players should benefit from the Italian League taking a rest next weekend thanks to Italy meeting Switzerland on March 31. To join Benfica's playmaker Valdo and the stylish Silas could be Bologna's Geovani, Napoli's Alemao, and the combative Dunga of Fiorentina. The 20 year-old Bismark, one of the stars of the 1989 World Youth Cup, Cuca or Ray may well be chosen.

With Romario absent, the strikers could be the talented Bebeto, Napoli's experienced Careca, who scored four goals in the qualifying tournament, Torino-based Muller, or Brazil might look at the speedy Joao Paulo, who has been on outstanding form for Bari this season.

Their opponents also boast a lengthy unbeaten run, which stretches back to their disappointing displays in the 1988 European Championships. This will be England's first match since the 2-1 defeat in December of an under-strength but most skilful Yugoslavia when both of their goals came from the inspiring Bryan Robson. In his absence through injury England will be thankful that Gary Lineker is in fine form, that Chris Waddle has helped Marseille reach the semi-final stage of the European Cup for the first time, and will hope that Liverpool's John Barnes produces his exhilarating best to mark his 50th selection, reminding people of his celebrated goal in Rio in June 1984.

One can merely pity the record of World Cup holders, Argentina, who are playing Scotland on March 28. Not being required to qualify for these finals inevitably led to a dearth of commanding fixtures, but has also led to a dearth of goals. Recent friendlies have included barren matches against Italy (0-0) Guatemala (0-0) Monaco (0-2) and Mexico (0-2). Indeed, if they score against Scotland it will be Argentina's first goal since they defeated Uruguay 1-0 in the Copa America in July last year – making a total of 743 sterile minutes!

The last three matches were played by below-strength sides, and Carlos Bilardo will expect far more macho displays from his forwards, some of whom score not infrequently in the demanding Italian League. These include Gustavo Dezotti, with 13 goals for struggling Cremonese, and the flaxen-haired Claudio Caniggia, who has now scored seven goals for Atalanta of Bergamo, while eight each have been scored by Abel Balbo of Udinese and Pedro Pasculli, who joined Lecce in 1985 and played in the last World Cup.

These players could display one noticeable difference between forwards from European countries and those from South America. Whereas the tendency of the former is to run and attack for a game's full 90 minutes, those from South America, used to playing in unfriendly temperatures, are happier harnessing their energies and using skilful improvisation to make quick breaks.

In midfield the experienced Jorge Burruchaga of Nantes, Sergio Batista, the determined Ricardo Giusti and Stuttgart's stylish Jose Basualdo have been in solid form, but Lazio's Pedro Troglio frequently flirts with trouble. In last Sunday's Roman derby, he played for only 26 minutes – during which time he was booked and then dismissed from the field.

Diego Maradona is eager to play – but only if he's given permission by Napoli, who are challenging for the Italian League. (A far cry this from his actions of the summer, when for several weeks he disdained training with his club side and preferred to remain in Buenos Aires.) He has been stricken with various ailments this season, but is confident that his medical guru, Professor Antonio Dal Monte, will be able to reproduce The Maradona Cocktail of 1986 – when his genius proved an inspiration for his team.

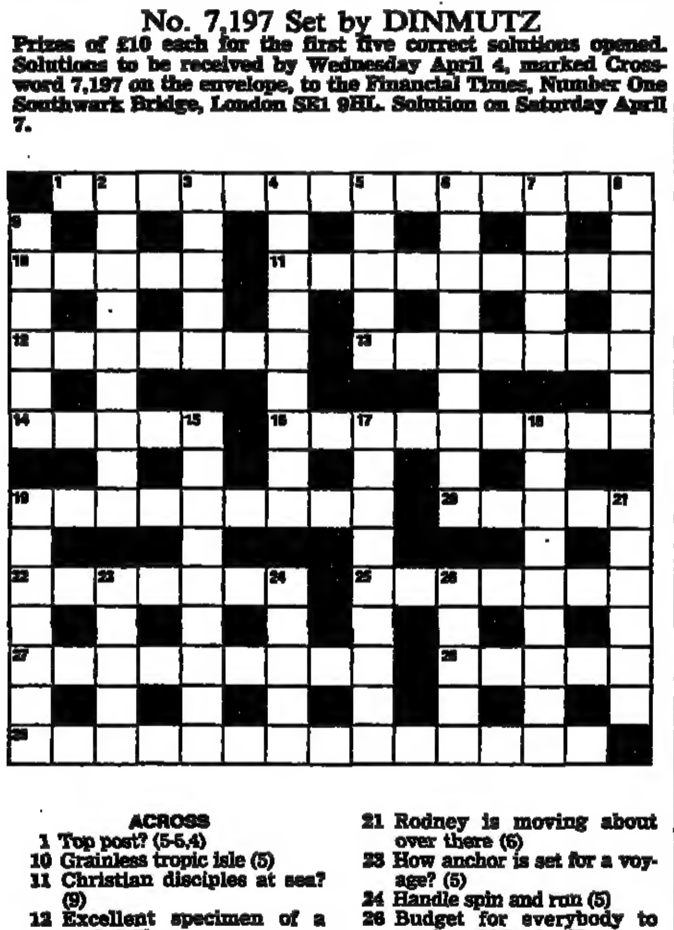
Dal Monte's challenge this time might be the recuperation of Jorge Valdano, who contracted hepatitis and will have further tests. Other familiar names include those of the stopper Oscar Ruggieri, the durable Julio Olarticoechea and the improved goalkeeper Nery Pumpido. Fresh faces include those the new libero Juan Simon and Udinese's tight marker, Roberto Sensini.

Incidentally, this will be the first international since the Scottish Football Association decreed that players who withdraw from friendlies without a proper reason before the World Cup will not be chosen for the finals themselves unless a doctor's note is provided.

CROSSWORD

No. 7,197 Set by DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday April 4, marked Crossword 7,197 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday April 7.



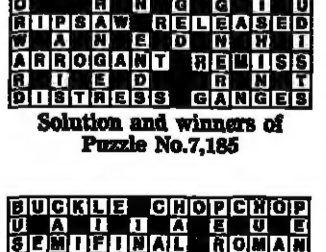
ACROSS

1 Top post? (5-5,4)
10 Grainless tropic isle (5)
11 Christian disciples at sea? (9)
12 Excellent specimen of a snake! (7)
13 Trees to chop down as a favour (7)
14 Coward's happy family? (5)
16 Bunthorne's bride or what you will, say (9)
19 One assessed by authority? (4-5)
20 Non-professional people of Italy turning out (5)
22 Daily read, we hear, and burned to ashes (7)
25 Jolly camper who sought shade, going by air? (7)
27 Colour turned quite sour (9)
28 Fired high-explosive (plastic) (5)
29 Typical agent (14)

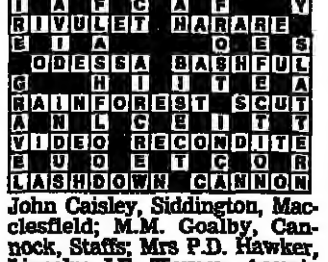
DOWN

2 No travelling-case? (2-7)
3 Undisturbed fall in drops (5)
4 Reluctant to be shot? (6-3)
5 Tree, say, for wild-cat with yellow tail (5)
6 Musically speaking (9)
7 Ward off hail, right? (5)
8 Contracts for instruction-periods, would you say? (7)
9 A black mark on head of beetle (6)
15 Retirement is such a change! (9)
17 Soup-ingredient fliers sent round (5-4)
18 Recurring theme – simple idea for an audience (9)
19 Does he give details when he delivers? (7)
21 Rodney is moving about over there (6)
23 How anchor is set for a voyage? (5)
24 Handle spin and run (5)
26 Budget for everybody to receive old books (5)

Solution to Puzzle No.7,196



Solution and winners of Puzzle No.7,185



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